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WHITEAWAY'S

**Berlin Too, Has
Air Raids**

Berlin has been receiving a share of air raids since the war, despite the Nazi boast that it was impossible for attacking planes to get past defences. Here we see civilians in Berlin clearing away debris after an R.A.F. attack.

OPENING OF DEBATE ON HONGKONG BUDGET: UNOFFICIALS' COMPLAINTS AGAINST INEFFICIENCY OF SEVERAL GOVT DEPARTMENTS

The debate on Hongkong's 1941-42 budget opened shortly after half past nine this morning in the Council Chamber, when all the Unofficial members of the Legislative Council made their contribution.

The Colonial Secretary, Hon. Mr N. L. Smith presided, in the unavoidable absence of His Excellency the Acting Governor, who is indisposed, as a result of slight injury sustained while out walking yesterday.

CONVOY QUERY IN HOUSE

Exaggerated Reports

LONDON, Feb. 19 (Reuter).—Recent German claims to have inflicted heavy losses on a British convoy were dealt with in the House of Commons today arising from a member's invitation to make a statement on the reported loss of 13 vessels and whether those vessels were under protection.

The First Lord of the Admiralty, Mr A. V. Alexander, replied that it was not possible to answer such a question without assisting the enemy, and in the meantime the question should not assume that the reports broadcast by the enemy were correct.

No Protection

The Labour Member, Mr Emanuel Shinwell, asked whether it was not the case that a full report had appeared in the American press and that a statement had also appeared that this very important convoy had no protection whatever.

"Are these facts not well enough known to the enemy?" he asked. Mr Alexander replied: "Mr Shinwell is in error in assuming that the enemy's statement was correct. It is a statement I do not accept any more than I had accepted the report in the case of a previous convoy in the Atlantic where the enemy claims were grossly exaggerated."

Governor's Accident

Falls While Walking

While out walking with Major General A. E. Grassett in the neighbourhood of Wongneichong Road yesterday afternoon His Excellency the Governor, Lieut. General E. F. Norton, slipped and fell, hitting his head, as a result of which he suffered from concussion for some time.

Inquiries made at Government House reveal that there is no cause for alarm, but the doctor has forbidden His Excellency to attend to any business before Monday.

There are no injuries except bruises and His Excellency's condition this morning is said to be much better.

Statement To Council

Addressing the Legislative Council this morning, the Hon. Mr N. L. Smith said: "Gentlemen, I regret to announce that His Excellency the Acting Governor, while walking in the country yesterday afternoon, sustained an injury which prevents him from presiding to-day. I am sure I may express on behalf of this Council our deep sympathy and the hope for an early recovery."

Native Sympathy For Allied Cause

LONDON, Feb. 19 (Reuter).—Natives of Tanganyika, in the area of Waikiki and Ngumbi are determined to play their part along with other citizens of the Empire in helping the London men and women rendered homeless through the "blitz."

They have donated respectively 90 and 125 head of cattle, their most cherished possession, to relieve the distress of the air-raid homeless.

The Hon. Mr J. J. Paterson thought the budget was a good one, but expressed the opinion that the conduct of some of the Government's affairs were bad, and he wondered whether no member of the local Heavensborn was ever dismissed for inefficiency.

The Hon. Mr S. H. Dodwell wanted some of the iniquities of the present war taxation bill to be ironed out and revealed himself opposed to direct income tax. He too, was highly critical of the Government services, and suggested that the special war time departments had been staffed, not with men considered suitable for the jobs, but with senior men Government had either to find jobs for, or pension off long before their pensionable age.

Mr Dodwell suggested an enquiry into the many serious charges that had been made against certain departments; he said this would be in the interests of both the departments and the public.

The Hon. Mr M. K. Lo, chief spokesman for the Chinese members, made comprehensive survey of the Estimates, criticised the Financial Secretary's assessment of the war taxation returns, deprecated the suggested increase in death duties, and was also critical of the manner in which the work of food controlling was being effected in Hongkong, as well as Government's policy concerning firewood, and the manner in which the work of the Immigration Department was being carried out.

The early speeches, which had been delivered up to the time of going to press follow.

Hon. Mr J. J. Paterson

Opening the debate—the Hon. Mr J. J. Paterson, said:

Your Excellency.—It is usual for the Unofficial opening the debate to deal with those matters on which we are all agreed and in which no other member has any very special interest. This procedure this year leaves me little to say.

We have written Your Excellency about the conduct of some of Government's affairs which we sadly feel to be bad. This will, we hope, be dealt with at another time; we do wonder how it is that, alone of all the Services and unlike the business world, no member of our local Heavensborn is ever dismissed for inefficiency. Perhaps the answer is that none is ever inefficient.

The budget is a good budget and on behalf of all the Unofficials I would like to thank our Financial Secretary for the very great care he has taken of the Colony's finances.

Night Soil Collection

We have suggested the postponement of various works which we believe can very well keep until later and these have been agreed to. I think the result lies on the table. There is one item however which still remains open, the collection of night-soil by Government at a cost of \$384,000 for cooless only, we firmly believe supervision can be given to the existing arrangement until we can see more clearly what the future holds for us.

The necessity for Evacuation is at last apparent; I feel that some part of all three parties to it behaved badly, the Colonial Government which failed completely to make proper arrangements ahead of the event, some of the evacuees who continue to complain I think unduly of hardships which when viewed in the bomb-light of Coventry are little enough and the Home Government when it failed to enforce laws laid down and allowed non-co-operation to be practised. A Trinity of incomprehensibility which reminds me of St. Athanasius, his creed.

Hon. Mr S. H. Dodwell

Addressing the meeting, the Hon. Mr S. H. Dodwell remarked:

Your Excellency.—Amendments to the Budget recommended by the Select Committee and agreed to by Your Excellency have considerably reduced the deficit originally forecasted by my Honourable friend the Financial Secretary.

Everyone must regret the need for the pruning that has taken place, and must also admit that we lag behind lamentably in the matter of social services. The leeway must be made up as soon as possible, but surely it is nothing less than lunacy to spend large sums on elaborate hospitals and police stations on the surface of the

ground while at the same time we are building a network of air raid shelter tunnels under it.

I am very glad indeed that the Government have agreed to include an extra \$100,000 for the University, of which the revenue has been so badly reduced by the fall in the value of the Chinese National Dollar which it can barely carry on in a manner befitting the Colony. Our prestige is at stake, and it seems to me

Full Report In Later Editions

The debate on the Hongkong budget was continuing as this edition went to press.

A full report of the debate will therefore appear in our later editions.

War Taxation

My Honourable friend the Financial Secretary considers it inevitable that we increase our War Taxation and favours an Income Tax rather than an increase in the present War Revenue Ordinance rates. Except as regards the Salary Tax, I am not affected by our local taxation, my Company being registered at Home. My views therefore are perhaps suspect. In comparison with Home taxation the Colony is of course ridiculously lightly taxed. At the same time, I am not in favour of increasing taxation on the low level incomes. Married men with salaries around say \$10,000 per annum are I know finding it increasingly difficult to make ends meet. Cost of living statistics show a very substantial rise and those young married men with evacuated families and two house-holders to maintain, should receive greater consideration in the allowances for wives and children, provided they pay their evacuation maintenance expenses themselves. I am also strongly in favour of exempting charitable contributions from taxation. This is done at Home and if it isn't done here our charities will surely suffer.

I am convinced that a change from the present compromise taxation to a straight income tax would lead to the same unfortunate opposition that the same unfortunate last year. Rather I think we should endeavour to iron out some of the iniquities of the present Bill. There must surely be a great advantage in knowing what revenue it produced on the basis of 1939. On that of 1940, even at the same rate, it should produce more, whereas to force an income tax on

an unwilling Chinese population might easily lead to our getting less revenue and cost us more to collect.

Adverse Criticism

During the deliberations of the Select Committee, the conduct of certain Government departments came in for much adverse criticism. My Honourable friend the Senior Member has already dealt with this matter, but I should be lacking in my duty were I not also to stress the extreme seriousness of the many adverse reports and complaints which far too many members of the public have brought to the notice of us Unofficials. Unfortunately, few, if any of the serious charges made can be supported by evidence because those concerned are unwilling to come forward for that purpose, but grievances are so numerous that in the interests of the departments themselves, as well as that of the public, an enquiry should be held.

Last year in the remarks I made during the budget debate, I expressed my conviction that the Government was suffering from three deadly disabilities: firstly, their inability to dispense with the services of an unsatisfactory servant; secondly, promotion by seniority rather than ability; and thirdly the higher pay obtaining in this Colony as compared with most others, which reduces to a minimum the healthy transfer of staff from one Colony to another, and breeds a parochial-minded service.

In the Report of the last War Revenue Committee the members, composed of the leading business men of the Colony under the Chairmanship of my Honourable friend the Attorney General, were unanimous in recommending that—

"Before fresh taxation is imposed to meet this need, a Commission (preferably a Royal Commission) be set up to investigate the whole organisation of civil government in this Colony with a view to ascertaining whether it is possible to effect economies which would permit of a substantial increase in the programme of social services without undue increase of taxation."

We realise that the present situation renders it impossible for this recommendation to be carried out, but if the same Committee is reconstituted this year, I hope they will repeat this recommendation in their 1941 report, lest 1940's be pigeon-holed and forgotten.

Overhaul Needed

There is pressing need for a thorough overhaul of a system which has raised the total of personal emoluments to such a fabulous sum, that the Colony's taxable capacity in normal times is not equal to also providing what should be provided for our social services.

The paucity and mediocrity of the executive material available this year to fill the special war time department has, I think, confirmed my last year's criticism up to the hilt. I am quite sure that the executive heads of the Government staffed these departments not with men they considered to be suitable for the jobs, but with senior men they had either to find jobs for or pension off long before their pensionable age. Although they probably won't admit it, they know in their heart of hearts that this is the case. The Prime Minister has made it clear that he wants to rid himself of much of the verbiage and red tape in which the service abounds. Let us pray that, at the end of this war, he will go further, and see that it is placed on a more businesslike and workable footing.

Continued on Page 5



RECONNAISSANCE FLIGHTS BY GERMANS OVER GREECE

BELGRADE, Feb. 19 (Reuter).—Reliable reports that German planes made reconnaissance flights over Greece yesterday are taken here to indicate that Hitler is going forward with his "nerve war" in an attempt to force Greece to give up the struggle against Italy.

It now seems clear that he may try intimidation before risking a conflict by sending troops to the Greek frontier.

The German planes dropped no bombs and were not fired on by the Greeks.

It is not known whether they used Bulgarian or Rumanian bases.

Under No Pressure
ATHENS, Feb. 20 (UP).—Informed quarters stated that Greece is not under pressure from outside regarding peace proposals.

They said that the Turkey-Bulgarian declaration does not alter the existing commitments between the Balkan States.

Balkan Bloc Necessary
LONDON, Feb. 20 (UP).—The Under-Secretary for Foreign Affairs told the House of Commons to-day that some time ago the Government had informed the Balkan countries of the necessity of forming a Balkan bloc for the purpose of maintaining independence and political integrity.

Mr Butler did not answer when Sir Alfred Knox asked, whether or not, he could state that the Turkey-Bulgarian pact allowed the Germans to cross Bulgaria and attack Greece.

New Life Movement
CHUNGKING, Feb. 19 (Central News).—Chungking observed the seventh anniversary of the New Life Movement with meetings, vocational contests, exhibitions, mass weddings, athletic competitions and special movie shows.

Madame Chiang Kai-shek started the anniversary observance by opening the newly-completed Loyalty Memorial Hall of the New Life Social Service Centre.

Japan Makes Official Overtures To Britain

LONDON, Feb. 19 (Reuter).—The Japanese Foreign Minister, "Reuter's" diplomatic correspondent learns, has addressed a special message to Mr Anthony Eden, the Foreign Secretary, in which he offers to take whatever action he needed to restore normal conditions not only in the Far East but anywhere in the world.

This official endorsement of the proposal made by Mr Ishii, the Japanese spokesman yesterday gives it a very different importance from the apparently casual suggestion of a subordinate official.

It becomes a serious approach from the head of a government which is in contractual relationship with Germany and Italy although Mr Ishii expressly stated that those countries had not been consulted.

Naturally Mr Matsuo's message will be received with the consideration which the authority of the sender demands but there is not likely to be any variation in the general and immutable principles of British policy.

Eden's Statement
LONDON, Feb. 19 (Reuter).—Invited at question time to-day to make a statement on the Far Eastern situation, Mr R. A. Butler, Under-Secretary for Foreign Affairs, said that as the House was aware there had recently been increased tension over certain events, notably over the dispute in the Far East, he would like to say that the Government was watching the situation with the greatest interest.

The Labour Member, Mr Frederick Cocks, argued that as there was so little difference between the de jure and de facto recognition of the position in the former Baltic states that such small things should not be allowed to interfere with the establishment of better relations between Britain and Russia.

Certain Large Issues
Mr Butler said: "There are not only small but certain large issues involved in this question and I cannot take it further at present."

Mr Butler did not reply to a supplementary question which implied firstly that Russia is terrified of Germany, and secondly that the British Ambassador in Moscow, (Sir Stafford Cripps) should be brought back to report to a secret session of the House of Commons.

Vichy Trial
LONDON, Feb. 19 (Reuter).—A big trial of officers who have joined General de Gaulle's movement is to begin on February 23 at Gannat, ten miles west of Vichy, states a Vichy dispatch to the official German news agency.

The proceedings will not be open to the public.

Ad. Stark Says Tokyo Must Be Ignored

WASHINGTON, Feb. 19 (Reuter).—A letter from Admiral Harold Stark, Chief of Naval Operations, suggesting that any Japanese protest at the United States' naval defence measures should be "totally disregarded" was read by Mr Carl Vinson, Chairman of the Naval Committee of the House of Representatives, to-day.

The Committee was beginning the debate on the \$242,000,000 naval base development programme.

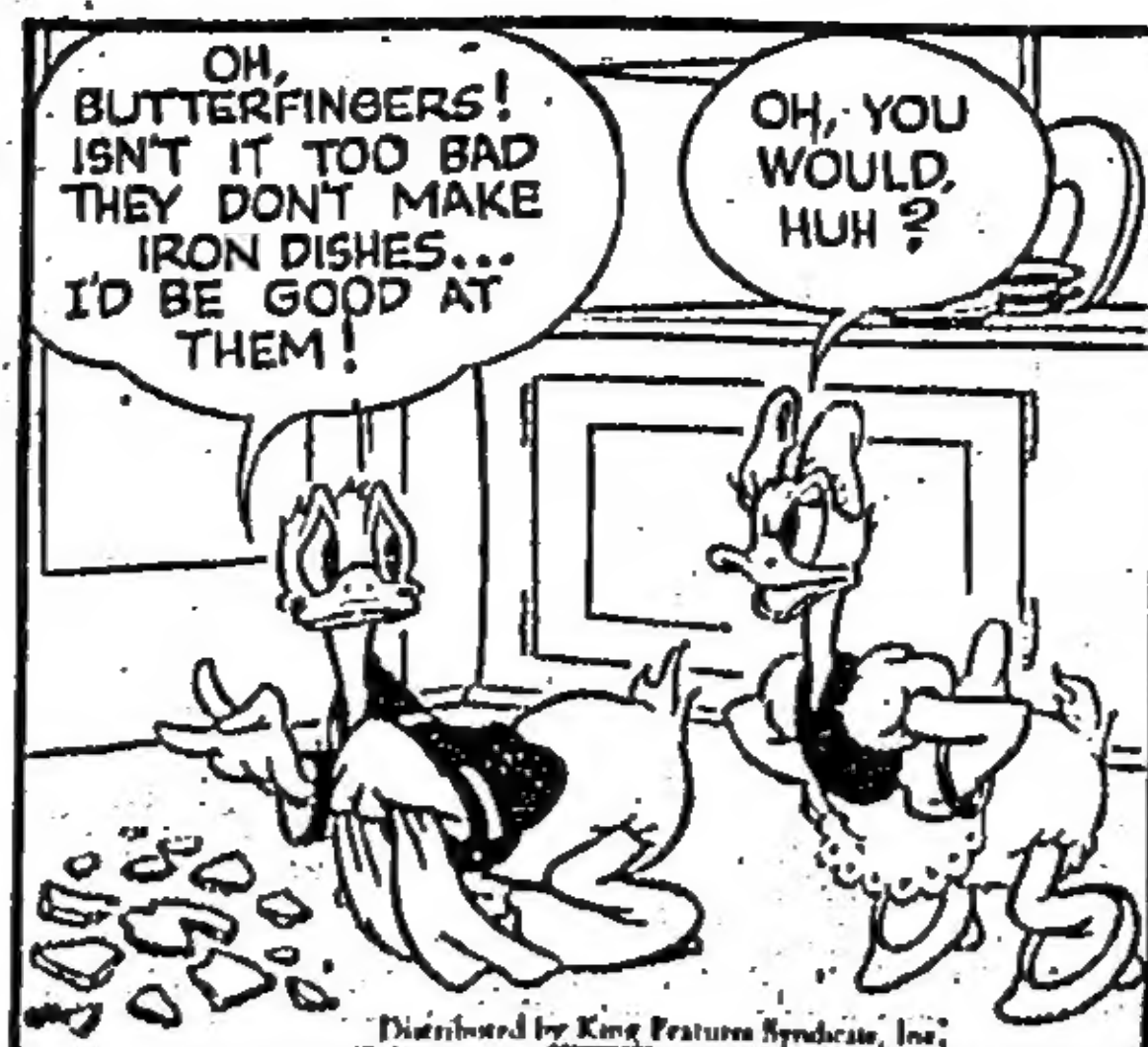
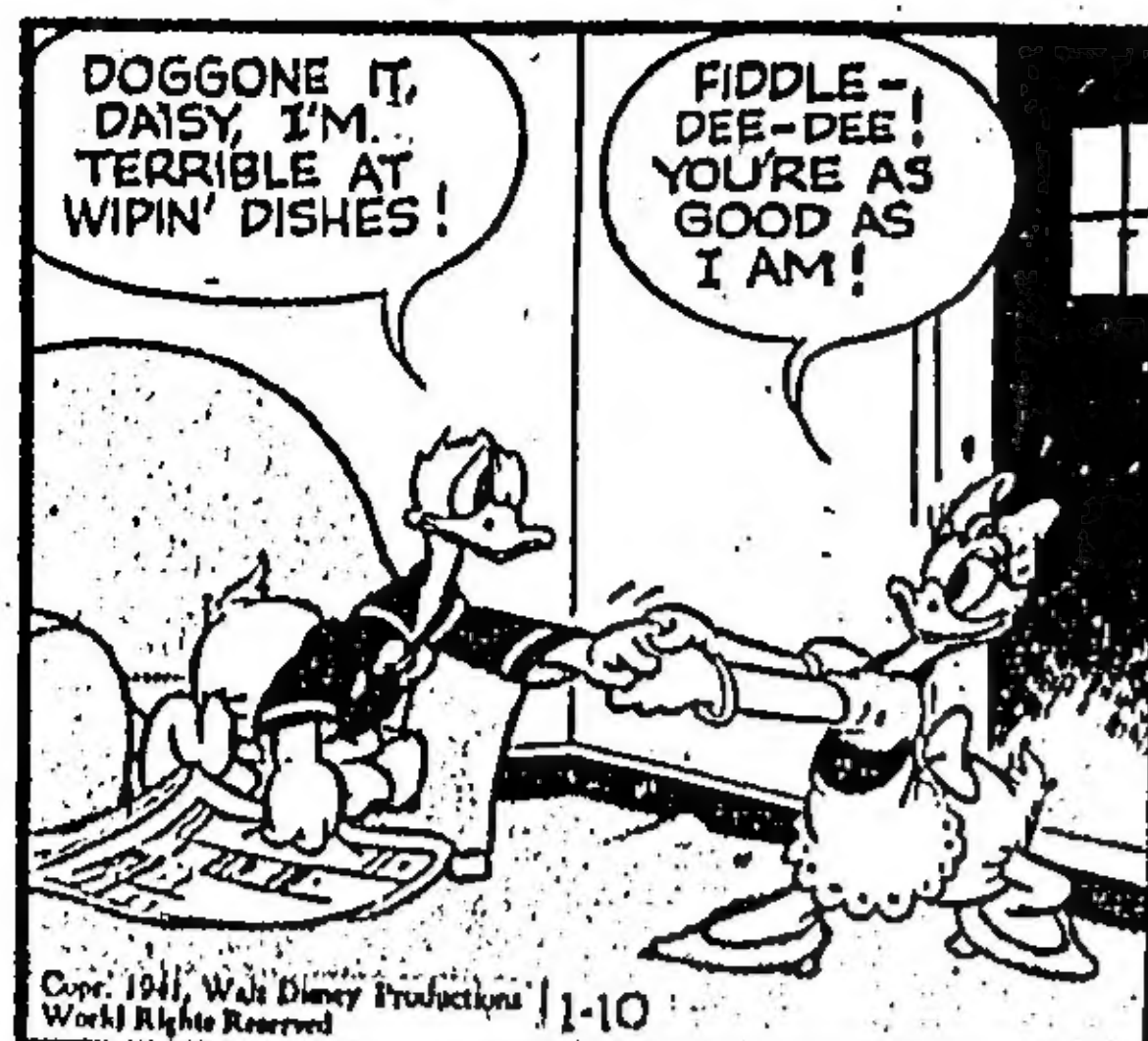
Admiral Stark pointed out in his letter that the House last year defeated a similar project for defence work at the island of Guam "because Japan might take offence."

"It is inconceivable to me," he added, "that Japan could or would take offence to any such inoffensive measures." If she did, then the protest would be "unwarranted" and should, in my opinion, be totally disregarded.

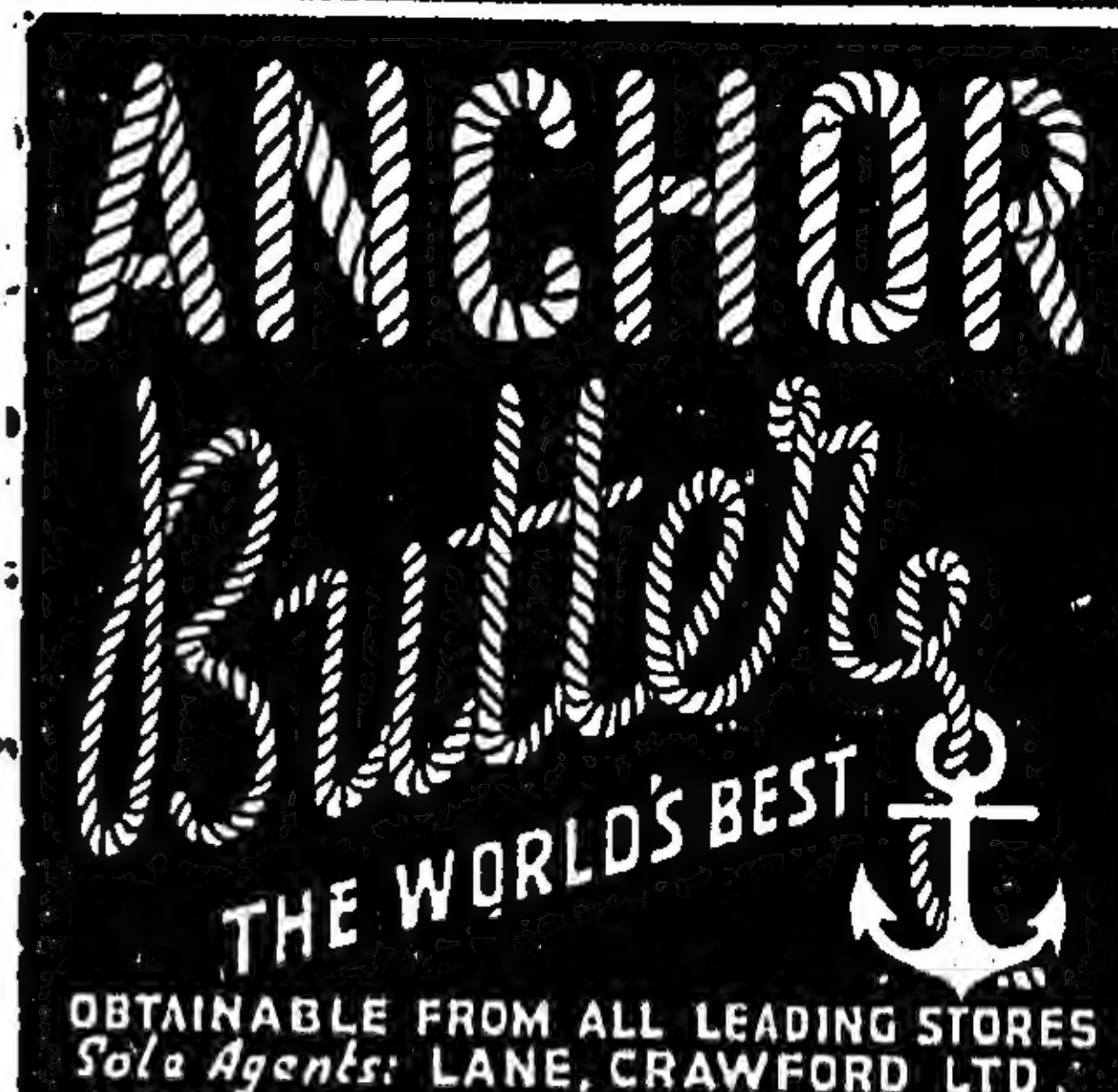
Admiral Stark emphasised that Guam was American property, saying: "Our actions should be determined by what is best for the United States and not dictated by any foreign Power."

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DONALD DUCK



By Walt Disney



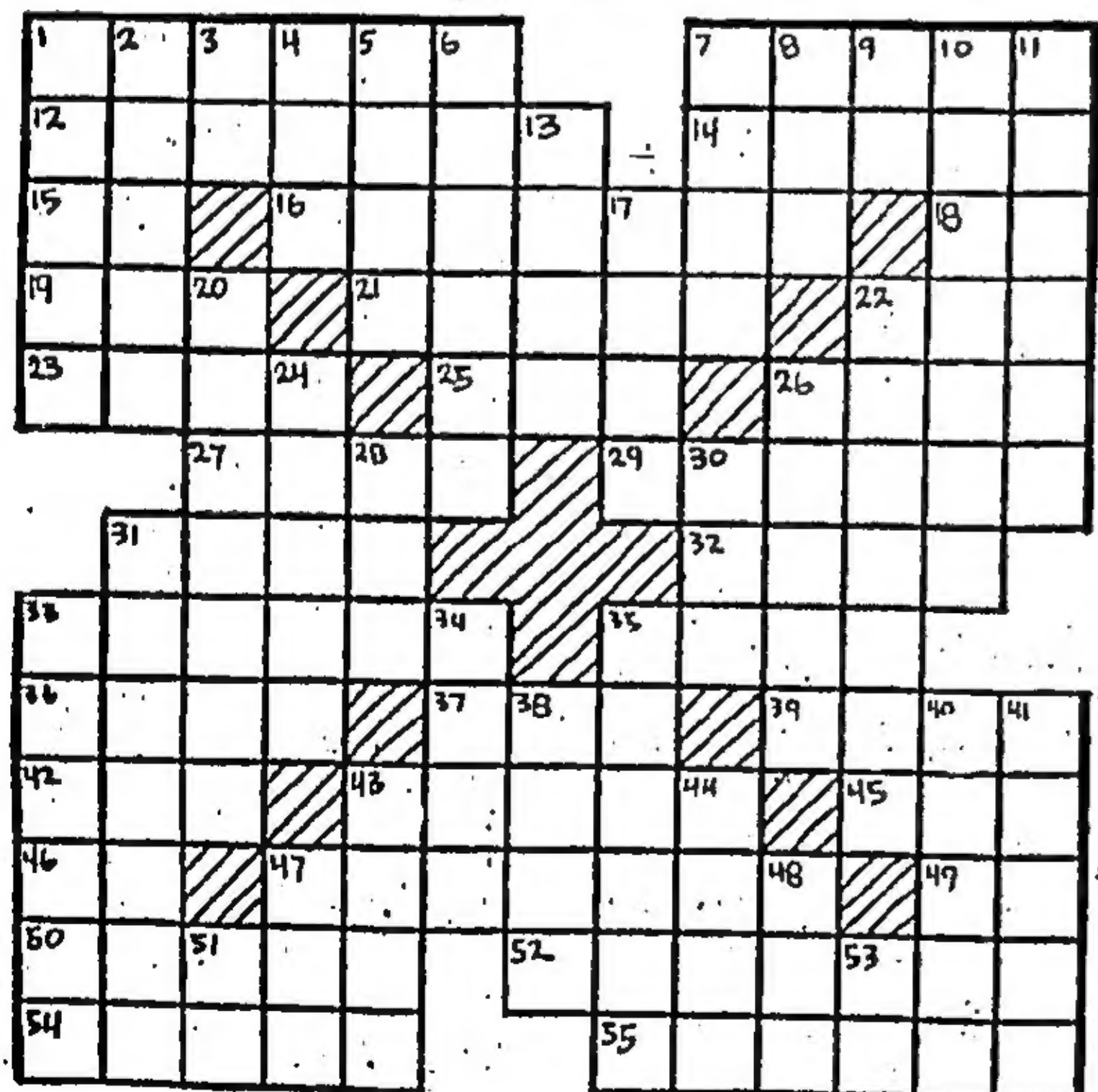
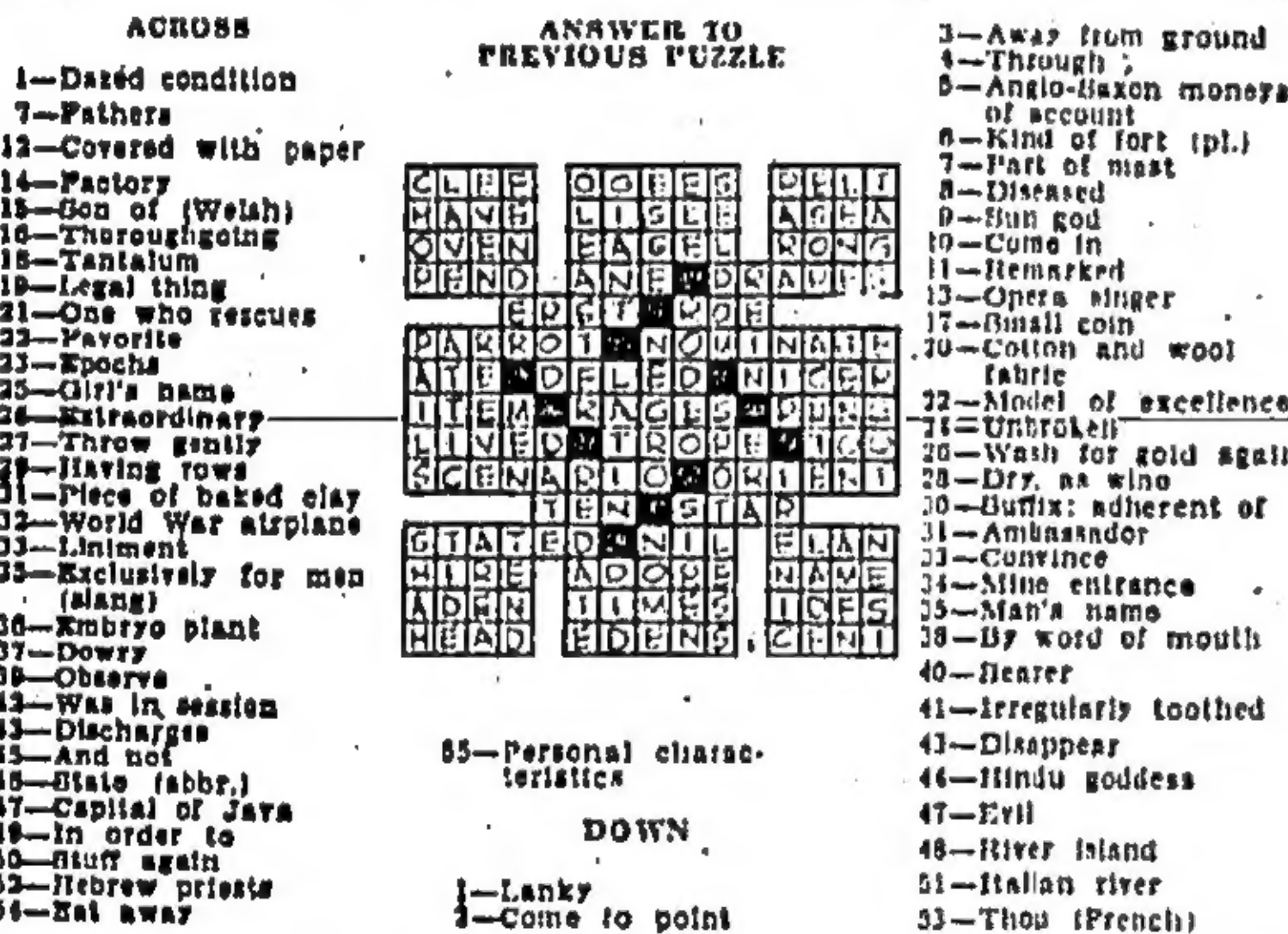
GRIN AND BEAR IT By Lichty



"The first requirement of successful forecasting, Trufflo, is to look out the window first!"

Crossword Puzzle

By LARS MORRIS



Count the
"TELEGRAPH"
everywhere

SONG HITS OF THE WAR

By HOMER JENKS
United Press Staff
Correspondent

LONDON.—Biggest song hit of the second World War is the "Beer Barrel Polka."

Canadian soldiers sang it when they disembarked in England. Australian and New Zealand soldiers sang it when they filed down the gangplank in the Middle East. English soldiers sang it as they sloshed through the mud of France. And shelter-dwellers in London sing it while the bombs whistle down about them.

So far it's sold nearly a million copies—and it's still a good seller.

Running a close second on England's "hit parade" is the American best-seller, "South of the Border," which, incidentally, was written by England's best known song-writing team, Jimmy Kennedy and Michael Oarr. That, too, has sold nearly half a million copies.

Third place probably goes to "Wish Me Luck as You Wave Me Good-Bye," with which Gracie Fields, the English comedienne now in the United States, sang her way into the hearts of the British Army, Navy and Air Force. Some 450,000 copies have been sold.

Carr, working alone, wrote the song that is in fourth place, "Somewhere in France," whose popularity waned after Dunkirk. That sold 400,000 copies.

But none of the songs of this war approach the sales of England's hits of the last war. For instance, "It's a Long, Long Way to Tipperary" sold 5,000,000 copies, "Roses of Picardy" 3,000,000 copies, and "Keep the Home Fires Burning" over 1,000,000 copies.

Publishers attribute the drop in sales of hit songs to the radio, on which a popular song-to-day is literally "played to death" in about 13 weeks, whereas during the last war the average life of a hit song was two years.

Songs symbolising the universal hope for better days ahead are finding a ready market. One publisher commissioned Irving Berlin to write a song expressing this thought. Berlin produced "It's a Lovely Day To-mor-

row", which sold 100,000 copies.

Others that have sold well include "It's a Hap, Hap, Happy Day" and "We'll Go Smiling Along."

Topical songs also have proved popular. For the raid-harrassed civilians, their "Good night", whose words go:

"Please don't think me rude because I'm yawning,
But I have to get up in the morning.
Good night, Goodnight,
Got your torchlight?"

POCKET CARTOON



"Ever since Taranto poor Antonio's been just one mass 'of nerves'"

PRIVATE LIFE OF A PRIVATE

FREE AS THE AIR

THE wireless was on. So was an argument. The Man from Leicester said: "The best song in the world is, 'If I Could Fall in Love Again I'd Fall in Love with You Again.'"

"Don't talk wet, you silly git," said the Kid from Widnes. "Give me 'Trees.'"

"Matter o' fact, yer both wrong, see?" said the Lad from the Elephant and Castle.

"What about 'She's Funny That Way'?"

"Pale hands I looved beside 'Shalimar,'" said the Man from Yorkshire.

"Lillolady," said the Walsall man.

"Little Old Lady be damned," said Phillips.

scorned, drawing his spite into space. "Switch him off," said the Kid from Widnes, "and let's get Syd Walker."

"Just a minute," said the Yorkshireman, and he listened for another little while.

"I wonder what they pay 'im," said the man from Leicester.

"Whatever they pay 'im, it won't be no good to 'im," said the Lad from the Elephant.

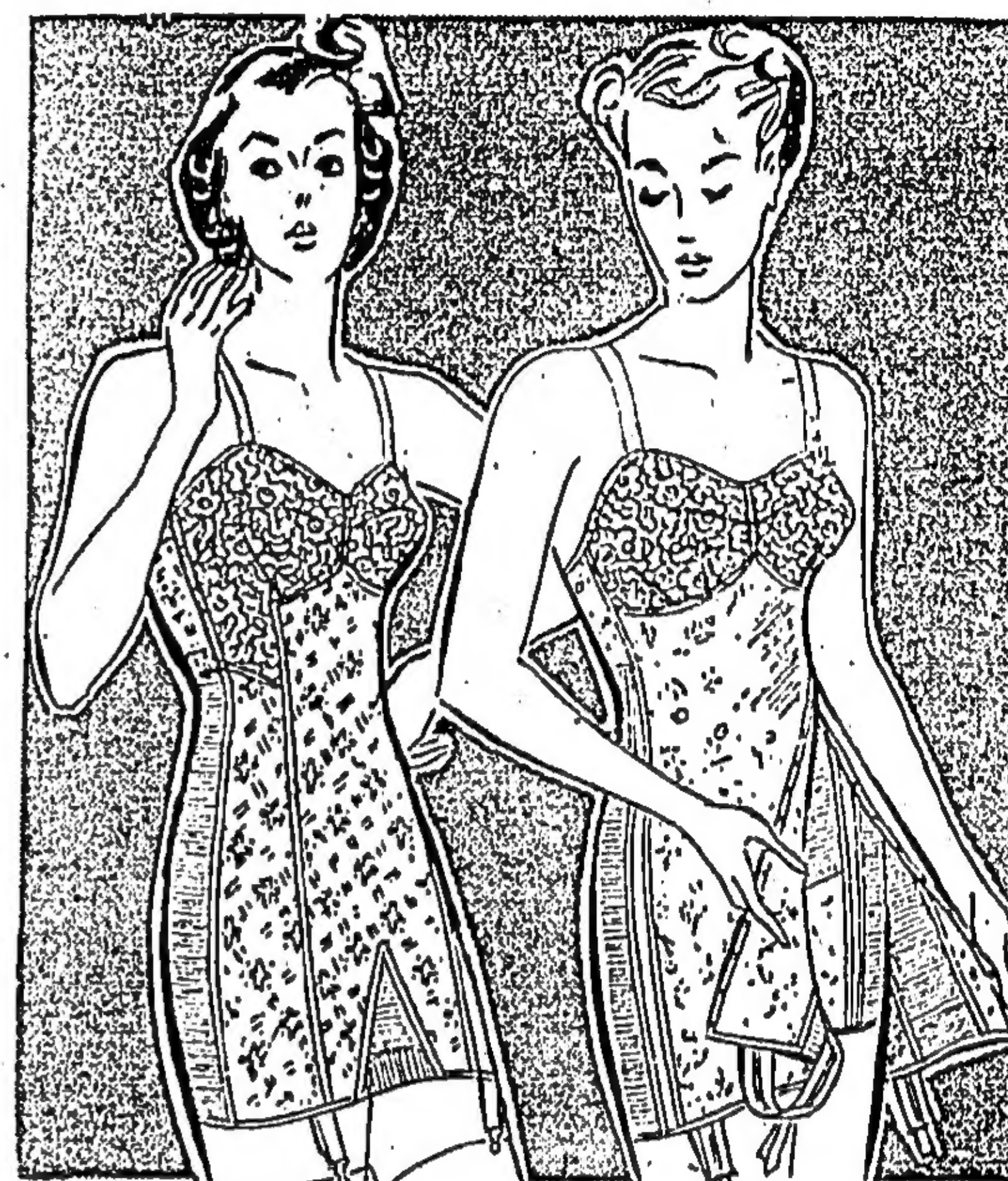
"There's bad Englishmen," said the Lad from the Elephant.

"There's rats in every drain," Phillips said, "Yeah. But get the point? The fact remains that here we are, on active service, and we can listen to him if we want to."

"Do you realise there aren't many places left in the world where you can do that? Switch 'im on or off as you like; nobody cares round here. Now isn't that

"Switch the silly git off," said the Kid from Widnes. "I want some music."

The set squealed and clucked again, and a second later seventeen men were singing "Begin the Beguine" in seventeen different keys.

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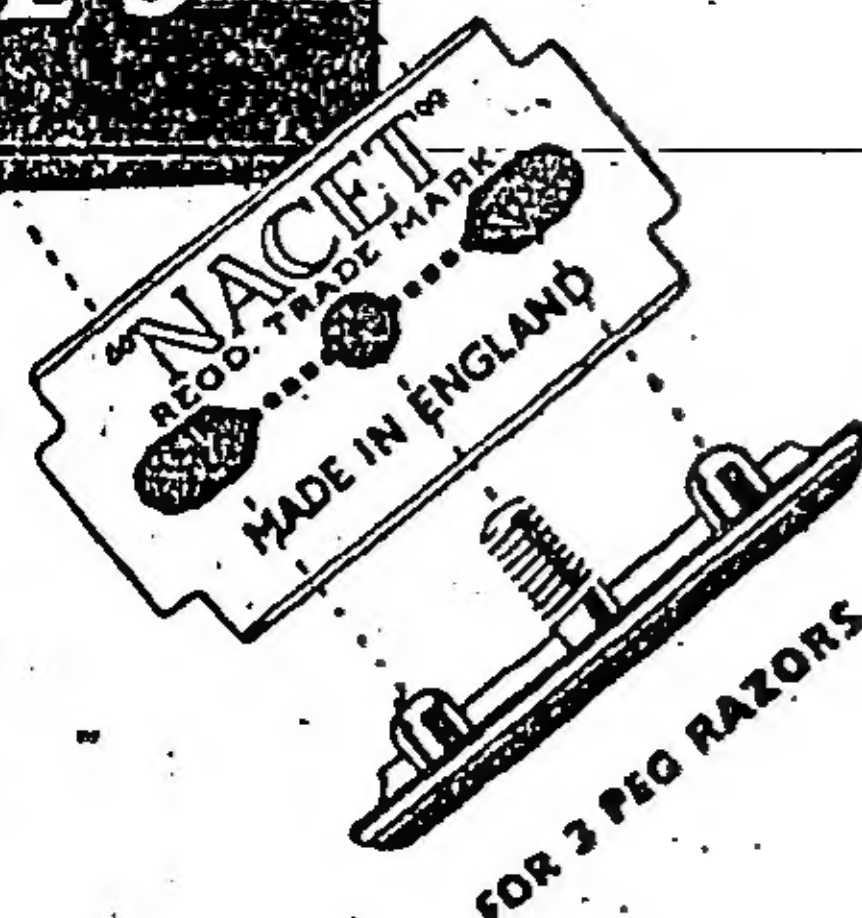
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The
Hongkong Telegraph

Thursday, February 20, 1941.

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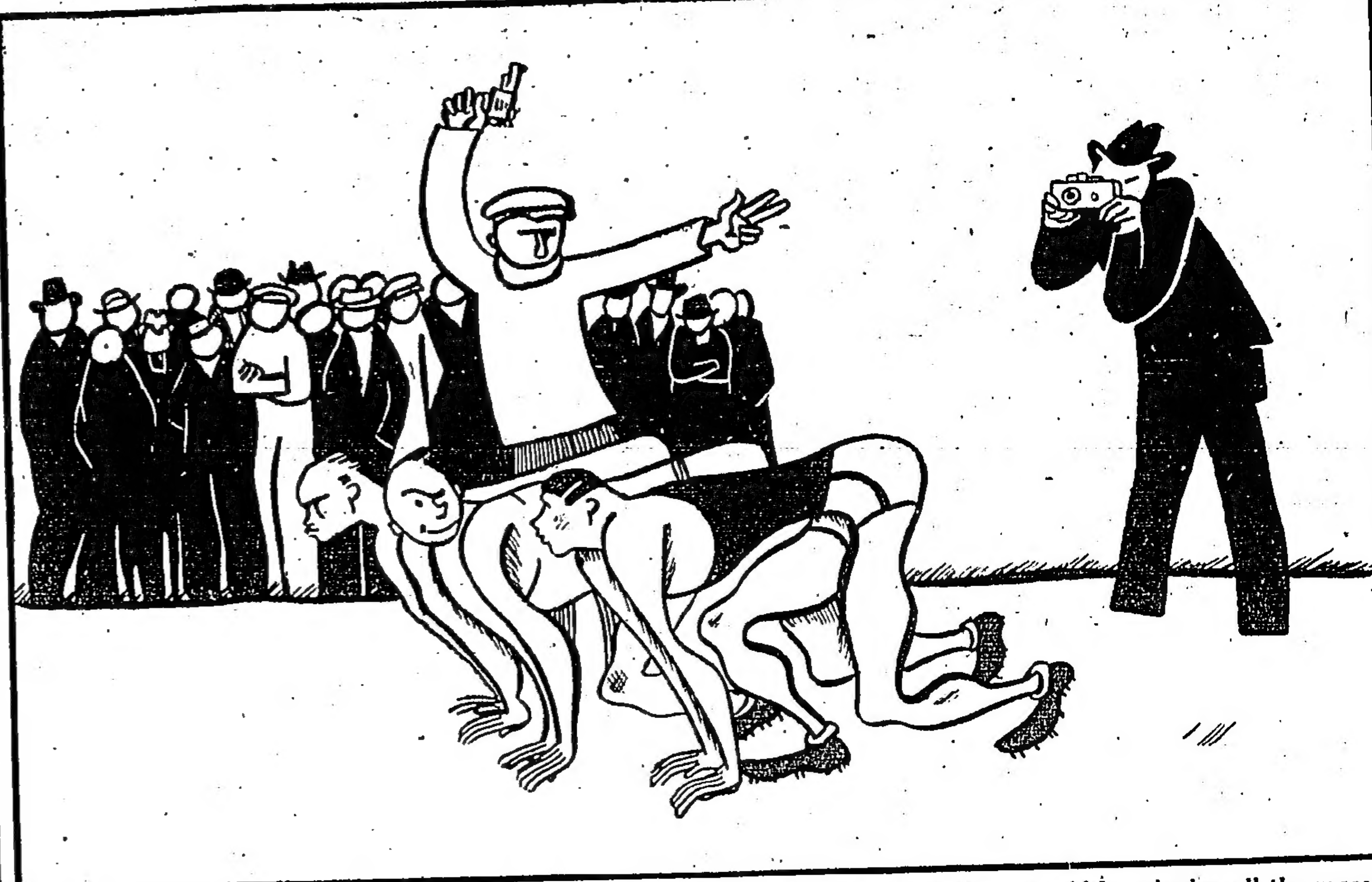
DEEDS AS WELL AS WORDS

TWO events were reported by cable yesterday which can be calculated to make a substantial contribution towards dispelling the tension which has grown to such proportions in this part of the world. One was the announcement that Mr Shigemitsu, the Japanese Ambassador to London, had shared a long conversation with Mr R. A. Butler, during which the Ambassador gave an assurance that Japanese does not intend to attack either British or Dutch territory in the Pacific; the other was the arrival in Singapore of thousands of Australian troops, fully equipped with the most modern war materials, who are to remain in Malaya with other British and Indian forces for the purpose of defending the States against any attack which might be launched.

Both Mr Shigemitsu's statement and the arrival of Australian reinforcements indicates a realistic attitude by Japan and the British Empire, to the situation in the Far East, and both events are heartily welcome. Furthermore, there must be taken into consideration Mr Butler's ridicule of the suggestion that the disposition of British armed forces in Malaya in any way denoted intentions of aggression; that statement was scarcely necessary. Britain does not seek in this part of the world anything more, than the maintenance of the status quo as provided for in a number of international treaties. This has been so explicitly declared and revealed that no nation can be in any two minds about it. To suggest otherwise is a deliberate distortion of clear facts and knowledge. Japan, in particular, can accept this without qualms, and the cause of so much of the political tension and worry in the Orient would evaporate if Mr Shigemitsu's declaration could be accepted with the same assurance.

Very pointedly Mr Sumner Welles observed this week that the United States prefers deeds to words by Japanese spokesmen when it comes to a question of international relations in the

THOSE SPRINTERS



After all, we are lucky that the war stopped the Olympic Games, otherwise the Italians would be winning all the races!

By BILLIKEN

By CLIVE TURNBULL

Hongkong is Gay
in face of
Far East Threats

THE rest of the world is wrong about Hongkong.

According to popular impressions it ought to be a womanless storm-centre, evacuated by its feminine population, and looking constantly to the threat of trouble in the Far East.

It is not in the least like that.

This remarkable island, where incredible wealth contrasts with the bare subsistence level of many of the 1,500,000 odd Chinese who make up the constantly changing non-European population, is to-day one of the gayest places in the world.

There is nothing in Australia like the scene at the Hongkong Hotel's dinner-dances. Hundreds of smartly dressed people who throng them might be 10,000 miles from war and the rumours of war. And there are plenty of pretty girls as partners for civilians, the sailors, the soldiers.

If you say, "What are all these women doing here?" your resident will shrug his shoulders. Their presence is one of the mysteries of Hongkong to-day; theoretically at least, they are engaged in some essential national service, but those people whose wives have been sent away are inclined to be bitter about what they consider to be unfair discrimination.

Every able-bodied man in Hongkong is serving in the local defence corps, or in some other capacity, and there is obvious evidence of military preparation. But this does not affect the life of the community. There are still 500 ponies in the magnificent stables of the Hongkong Jockey Club, and arrangements

Pacific, implying, and rightly so, that words have become rather cheap and in more cases than one, meaningless. Undoubtedly Japan has manoeuvred herself into a delicate position in the Far East, but there is still plenty of opportunity to free herself from the shackles and to avoid plunging the Pacific into the maelstrom of war. The right kind of deeds, as well as the right kind of words, are needed.

The author is the representative of the Australian Associated Press in the Far East. The accompanying article, which appeared in the Sydney Morning Telegraph, is interesting for its observations on wartime Hongkong and its people.

proceed for the big annual racing carnival. You can still sit on the balcony of the Regency Bay Hotel and drink Rhine wines, now unobtainable in Australia; and you will be told, if you inquire, that business in many quarters is excellent.

SOME responsible Hongkong residents declare emphatically that the island will never be menaced. Others believe that, if it were, it could hold out.

It is common talk that vast quantities of goods, ranging from flour to motor trucks carried in pieces and assembled inland, are entering China at various coastal points. I was told of one consignment of 20,000 motor tyres that had gone up the China coast and reached the interior.

It is not pretended that the Sino-Japanese affair has not had a profound influence upon British trade; but there are compensations, and an idle American statement that "grass is growing in the streets of Hongkong" is absurd.

Basis of British power and British wealth in the Far East, and you will be in Japanese-occupied Hongkong is a centre of remarkable people.

The most influential Briton in the Far East is Sir Vandeulur Grayburn, chief manager of the Hongkong and Shanghai Banking Corporation, the vast modern skyscraper of which dominates Hongkong's waterfront. In Hongkong they speak of "the bank," as Londoners of "the City," and it has something of the same significance.

was given enormous impetus by its use as a place of shipment for Chinese coolies to Australia in the gold rushes of the 'fifties—those same Chinese who, when entry was denied them at the ports, were landed at Robe, in South Australia, and smuggled overland to the diggings.

To-day the dwellers on the Peak, which rises behind Hongkong's business section, look down on a fine modern city, substantially built, an admirable example of colonial development. Kowloon, on the mainland, is a rapidly growing centre, predominantly Chinese.

Here are the wharves and, not far away, the Hongkong Whampoa Dockyard. One of the principal shareholders in the dock company is Mr S. T. Williamson, a New Zealand-lander with Australian associations, and a leading business man of the Far East.

The dockyard thinks nothing of an order for a 10,000-ton ship, and can build up to 20,000. Here I saw Australian steel being made into Empire ships by Scottish experts and Chinese craftsmen. The ore that is mined in South Australia, the steel that comes from the furnaces of Newcastle have many destinies, but few, perhaps, more interesting than this.

Beyond Kowloon the road runs into the hills of the leased territory, rugged and for the most part poorly timbered, with an occasional rice-growing valley. Here, in favoured places, are country houses with delightful views over an undulating countryside, or a bay busy with Chinese craft.

The British railway runs from Kowloon to Taiipo and there, at present, the service ends. Once, they say, you could take a train at Kowloon and travel to Calais. "Affair" has put an end to all that, and lines of Chinese rolling stock stand idle and bleaching in the sun.

Beyond rise the ranges of China. Nature has given Hongkong much, but with some things she has not been liberal. Water supply has been a problem at times. Soil on the island is exceedingly poor. The Peak has a fair growth of vegetation only because there are strict prohibitions against cutting timber.

Food must be largely imported; there has been criticism of the Government's rice policy, for rice is the staple diet of the Chinese population.

Against eventualities, practice blackouts are held and other measures are taken in Hongkong. But, ordinarily, Hongkong is fully illuminated. Look down from the Peak upon the glitter of the city below, and you see a sight of urban harbour, and you see a sight of the rival of

Hongkong, now a focal point of surpassed magnificence—the rival of money and power, was nothing a Sydney and Rio among the stupendous vicissitudes of the world.

DEBATE ON HONGKONG'S BUDGET FOR THE 1941-42 FINANCIAL YEAR

MR LO CRITICISES WAR TAXATION, FOOD CONTROL AND IMMIGRATION

The Hon. Mr M. K. Lo, dealing at length with the budget speech, expressed appreciation of the granting of financial aid to charitable and medical relief to China, and then went on to make an exhaustive study of the war taxation returns, concluding with a criticism of the administration of the Ordinance. He also expressed regret that it was proposed to increase death duties.

Mr Lo also deprecated the manner in which the work of Food Controller had been performed and insisted that one of the chief qualifications for this office was some commercial knowledge and experience; he argued that the Food Controller lacked this commercial experience.

The speaker expressed the Chinese community's dissatisfaction over the way Government had handled the important question of importing firewood into the Colony, and later made criticisms of the manner in which the administrative machinery of the Immigration Department had been operated.

The text of Mr Lo's speech follows.

Your Excellency: I have very little to say on the Budget now before this Council, which represents the result of the deliberations of the Select Committee to which the Draft Estimates were referred.

It is a matter for regret that certain desirable items have had to be deleted from the Draft Estimates. But, in view of the budgetary position and the uncertainty of the immediate economic position, the Unofficials have deemed such exclusions wise in the circumstances.

I personally regret that, owing to the general financial situation, the long-promised rebuilding of Queen's College has once more to be deferred.

My colleagues and I recently made representations to Government as to the imperative necessity of budgeting for a substantial amount in the then coming Estimates, to be allocated entirely to anti-tuberculous measures and equipment. We felt heavily, though necessary, expenditure on the medical side would not be of much avail if the problem of tuberculosis, entailing such widespread illness, distress and mortality, were to be left untouched. Government has replied to the effect that it has been decided to defer a decision on this matter until the return to the Colony of Sir Geoffrey Northcote. I hope that before long something will be done in this regard.

I must say I am glad Government has budgeted \$150,000 for the establishment of an experimental agricultural station in the New Territories, and I hope that the result of the experiment to be made in regard to the disposal of night-soil in the New Territories, for which \$60,000, has been budgeted, will prove satisfactory.

I observe that the actual revenue for 1938 exceeded the estimated revenue by nearly 6½ million; that the actual revenue for 1939 exceeded the estimated revenue by over 5½ million; and that the revised estimate of revenue for 15 months in respect of 1940/41 exceeded the original estimate by over 16 million. I can only hope that the current estimated revenue may happily prove to be in the same direction for the current year, so that funds may be available for so many important projects and social services.

In the Budget Debate held on November 9, 1939 I renewed, for the third successive year, a plea that Government might be kind enough to make a substantial grant for providing charitable and medical relief to the Chinese on account of the Sino-Japanese conflict. I am indeed happy that the Select Committee, with the unanimous approval of the Unofficial Members, has agreed to put in, under Head 5 Charitable Services, a donation of \$10,000 to the British Fund for the Relief of Distress in China, Hongkong and South



HON. MR. M. K. LO

China Branch. I feel sure, Sir, that this gesture will be very much appreciated by the Chinese, and my colleagues and I tender our sincere thanks to Your Excellency.

War Revenue

Sir, in the extremely able and lucid speech of my Honourable friend the Financial Secretary, in introducing the Budget, there were certain observations on the War Revenue Ordinance with which I must deal. But, before doing so, may I say how much impressed I have been by the way in which he has carried out his onerous duties as Financial Secretary during the difficult and turbulent times through which the Colony has passed since the departure of his distinguished predecessor? I venture to say that the frankness and candour with which he has always treated the Unofficial Members of this Council, and the courage, ability and devotion to the financial interests of the Colony, which char-

acterise all his official actions, have won their united confidence, admiration and respect.

Now, to return to the Honourable the Financial Secretary's observations.

The Honourable the Financial Secretary, in his Budget speech on January 16, 1941, quoted some remarks he had made when he introduced the War Revenue Bill in this Council in March of the preceding year. These remarks I can only describe as damning the Ordinance with faint praise. He proceeded to say that Government felt "in view of the change in the financial position and the situation disclosed by the actual receipts from the four War Taxes that the principles on which the taxation was based should be reconsidered."

Now, what are the facts? After one of the bitterest controversies which the Colony has ever known, the Bill was introduced to this Council in March 14, 1940, with the unanimous general approval of this Council. The statements published from time to time in the Press as having been made by the War Revenue Department that the levying of the taxes was proceeding smoothly would appear to point to the gratifying fact that the hope expressed by the War Revenue Committee, and re-echoed in this Council, that there should be no attempt at evasion in view of the purpose for which the proceeds of the taxes were to be used, has been fulfilled.

Although the yield under this Ordinance was originally estimated to be six million, the revised estimated yield is nearly ten million (which, incidentally, is the amount of the estimated yield for the full Income Tax Bill), and this in spite of the fact that it is universally accepted that the yield of a tax of this kind can never be brought to full fruition during the first few years.

Deserved Gracious Acknowledgment

Personally I should have thought that such an unexpected and gratifying result of a measure which had received such striking unanimity of support in this Council would have merited an acknowledgment from Government more gracious and fitting than the strictures which the Honourable the Financial Secretary felt bound once more to pass on it. The Honourable the Financial Secretary observed that far be it from him "to seek to resuscitate a controversy which is dead and buried." I am entirely with him in this attitude. But may I remind Honourable Members of certain facts and circumstances in regard to the introduction of the War Revenue Ordinance?

On December 4, 1939 Mr Caine addressed a letter to each member of the Committee, in which he stated:

"I enclose some 'suggestions' for a draft report of the Income Tax Committee. I am not circulating them as an official Committee document because they represent what I hope the Committee will be prepared to agree to rather than what has so far been agreed. In view, however, of my approaching departure I thought it might be helpful to put my own ideas on paper."

Extracts Quoted

Let me, then, quote from certain relevant paragraphs of his report:—"3. . . . We examined a great many suggestions We rejected, either unanimously or by substantial majorities, by far the greater number of these proposals because they either did not fulfil the conditions laid down by our terms of reference or would yield revenue too small to justify their imposition."

"4. . . . The best alternative means of imposing taxation of approximately the same incidence as the proposed Income Tax appeared to be a combination of taxes assessed on property, on salaries and analogous incomes and on business profits made in the Colony on bases and at rates calculated to impose very broadly the same degree of sacrifice on the several classes of persons affected. Such a combination of taxes would constitute a partial income tax, covering much the greater part of the income which would be liable to a full income tax but freed of many complications owing to its being partial in scope and only approximately adjusted to individual ability to pay. In particular much of the enquiry into personal circumstances which is apprehended from the administration of income tax should be avoided."

Mr Caine's Estimate

"6. It is if anything more difficult to assess the probable annual yield of those taxes than that of an income tax, but the estimate of Mr S. Caine, then Financial Secretary, was as follows:—

Corporation Profits Tax)	
Business " " "	\$ 3,000,000
Salaries Tax " " "	\$ 1,000,000
Property Tax " " "	\$ 2,000,000
	\$ 6,000,000

In comparing this with the estimate of \$10,000,000 from a full income tax it should be remembered that (a) Income subject to United Kingdom Income Tax is almost entirely exempted under the new Bill. Several important companies are thus outside its scope altogether.

(b) Profits tax will be applied only to profits made in Hongkong, whereas income tax would have applied to all profits of resident persons, including companies registered here, wherever made.

(c) Other income from abroad will not be taxed at all under the new Bill.

It was, however, repeatedly emphasized by the official representatives on the Committee that Government was not seeking to raise any particular sum of money but to impose a reasonable burden of taxation and we consider that the rates of tax proposed do impose such a reasonable burden."

"8. We therefore recommend that Government should proceed with measures on the lines of the attached Bill. If the revenue obtained is inadequate consideration should be given to the adoption of some or all of the items referred to at the beginning of paragraph 4."

In a note prepared by Mr Caine on "Principal differences between the 'War Revenue Bill' and the 'Income Tax Bill' " he states:—"1. General.

An Income Tax seeks to tax every source of each individual's income and to make allowances for his family responsibilities and other individual circumstances. Although much may be collected at the source it is ultimately an individual tax and may entail much enquiry into personal affairs.

The new Bill proposes to take each of the main classes of income separately and tax them at rates adjusted only approximately to capacity to pay. At some sacrifice of the refinement of an income tax it thus avoids many problems which arise in the administration of those refinements and removes some of the features of income tax which are objectionable to the public."

Without Misgivings

Such, Sir, were the views of Mr Caine. He had made it plain that he was in favour of a straight income tax measure. But he himself was the author of the Ordinance now in force, and he laid it forth as a compromise measure without any trace of reluctance, and certainly without any misgivings as to there being any inequity in its incidence.

The Honourable the Financial Secretary said: "Although the War Revenue Ordinance has secured considerably more revenue than was anticipated, it has failed to secure enough to meet the revised war expenditure either in the current year or in 1941/42."

Pausing here I should like to point out that the position he now takes up is fundamentally opposite to that taken up by Government hitherto. As I pointed out in this Council on March 14, 1940, His Excellency Sir Geoffrey Northcote, in his speech in this Council on March 16, 1940, made it quite clear that Government did not determine to raise a war budget revenue in any pre-determined sum; in other words, the Government's attitude was that as regards war expenditure, that expenditure was to be limited to the sum obtainable by the War Revenue Ordinance, and not that the Colony had to find a specified amount.

The Financial Secretary points out that according to the revised estimate, salary tax will bring in \$1,000,000 as was anticipated; property tax \$2,300,000 as against \$2,000,000 as was anticipated; whilst corporation and business tax should bring in \$4,400,000 as against \$3,000,000 anticipated. But he adds, as regards the latter item: "This figure includes not less than \$5,500,000 in respect of corporation profits and only \$900,000 in respect of business profits, which is disappointingly small."

Not Surprised

Sir, this is the whole case for suggesting that the principles on which taxation is based should be reconsidered. I can see no ground for surprise that the business profits tax should yield something just under one million, as against the unexpectedly larger yield of corporation profits. Mr Caine never attempted anything more than a guess of the combined yield of the corporation and business profits tax, for the simple reason that there were no accurate data available. Nor can I see how the yield of the taxes as above indicated can afford any evidence that the incidence is not spread



HON. MR. S. H. DODWELL

fairly over the community. It may well be that, in order to produce more revenue, some alterations will have to be made in the Ordinance. As I do not wish to anticipate in any way the findings of the Committee which Your Excellency has constituted I abstain from further comment.

Serious Criticism

I regret that I now come to a point of serious criticism against the administration of the War Revenue Ordinance. In the Report of Mr Caine, to which I have referred, he made it quite plain that "Partnerships will be assessed as a whole and no enquiry whatever will be necessary into the division of profits between partners." The Honourable the Financial Secretary himself, in introducing this Bill in March 1940, said:

"The third and fourth taxes are respectively a corporation profits tax . . . and a business profits tax on profits made in the Colony . . . which is levied on the business and not on individual persons so that no enquiry as to the ownership of the business and the division of the profits is involved. There is, in the circumstances, no reduction in respect of personal and family allowances."

In spite of the history of this matter, and of the official declarations to which I have referred, I am sorry to have to state openly in this Council that examiners have sought to get Chinese firms to disclose the names of the partners constituting the firms. I should have thought it impossible that any Government official would proceed counter to one of the fundamental bases of the taxation, and I look to the Honourable the Financial Secretary, as the Commissioner under the War Revenue Ordinance, to see to it that his subordinate officers do carry out completely the spirit of the framers of the legislation, in accordance with the solemn declarations of Government.

Death Duties

The Honourable the Financial Secretary has intimated that Government proposes to increase the Death Duties. I appreciate that Honourable Members will have an opportunity of discussing this question when the necessary amending Bill is before this Council. But in the meantime I wish to make a few general observations.

The Report of the Taxation Committee published as Sessional Paper No. 2 (1939) contained the following observation on the question of Death Duties:—

"Any further revenue under this head should be obtained by an increase in the rates of Estate Duty rather than by the introduction of other methods of taxing property on death, e.g. Legacy or Succession Duties; but we consider the present rates, which were fairly recently increased to a maximum of 20%, high enough in the circumstances of Hongkong, where the much higher rates prevailing in, e.g., the United Kingdom, would add greatly to the incentive of evasion."

That report was dated April 5, 1939, and I am not aware of circumstances which have arisen between then and now which render that deliberate expression of view no longer sound.

As to how far evasion of death duties exists I do not feel competent to speak. But of this I am quite certain. If evasion could be prevented by zeal and vigilance it would have been effectively stopped by now, because I can imagine no one possessing greater zeal, and exercising greater vigilance, than the present holder of the office of Superintendent of Inland Revenue and Estate Duty Commissioner, for whom, if he will allow me to say so, I hold a high regard. Indeed, I go further and say that it is the deliberate view of the legal profession as a whole that the zeal and vigilance exhibited by this conscientious officer have been so excessive in many cases as to occasion unjustifiable delay, inconvenience and expense to bona fide applicants for legal representation."

Wide Powers

The powers conferred on the Estate Duty Commissioner for investigating every estate are necessarily wide. But I suggest that in wielding such great powers regard should be had to the presence or absence of grounds for suspicion of evasion of duty, and that under normal circumstances the Estate Duty Commissioner should not attempt to reopen and reascertain matters adjudicated upon a long time ago.



HON. MR. J. J. PATERSON

It should be well known to Government that family inheritance has always constituted a very important part of Chinese family life, and I do submit that excessive rates of levy, undue delay in obtaining legal representation, and harsh administration of the Estate Duty Ordinance, all constitute great incentive to evasion. Sir, the Unofficial Members of this Council, as well as the Chinese Members of Councils, have had occasion to make various representations to Government on certain aspects of Government Administration during the past year. Pending their final outcome I feel it my duty to make a few general observations.

Food Control

To begin with I wish to say a few words on the question of Food Control.

The task of a Food Controller is obviously one of very great difficulty, and due allowance must be made for the fact that many things would have to be done in a hurry. I submit that the indispensable qualification of any Food Controller must be some commercial knowledge and experience, and, however well qualified in the theory of economics and conscientious in the discharge of his duties, the present Food Controller has had no commercial experience. The record of his administration has not inspired confidence that in an emergency all will be well as regards the question of food supply, and I record in this Council my grave doubt as to his ability in turning over certain reserve food stocks—though the quantities purchased are infinitesimal—to the quantities originally proposed—without very serious losses arising. We know that the Food Controller has now delegated his powers in regard to rice to a business man more conversant with the subject.

Firewood

I come now to the question of Firewood.

I understand that Government has at long last taken, or is taking, definite steps for the importation of firewood into the Colony. The Chinese Members of Councils had urged Government to take such a step even before His Excellency Sir Geoffrey Northcote left the Colony on leave. On August 3, 1940 a memorandum on this question was sent in to Government, wherein it was urged that Government should requisition steamers for the purpose of importing firewood into Hongkong. I feel that the Chinese community has every reason to be dissatisfied with Government's inactivity, over such a lengthy period, in relieving the acute shortage of firewood, which has caused so much hardship to the community, especially the poor.

Another matter, Sir, which has given rise to grave dissatisfaction, is the administration of the Immigration Ordinance. When I spoke in this Council on the Second Reading of the Bill I thought that the effect of this measure on the Colony depended very largely on how it would be administered by the Immigration Officer, and I then stated that my colleagues and I intended to maintain a close interest in the operation of this measure, and that we should have no hesitation in making to Government any representations which we might consider it our duty so to do.

Cannot Acquiesce

I know that the Immigration Officer has not spared himself in the discharge of his very difficult duties. But I do say that whatever may be the explanation, the Chinese community cannot be expected to acquiesce in the continued administration of a measure which compels people to wait for long hours outside the Immigration Office, herded together like cattle, in order to get a permit or to get back a deposit.

Apart from the question of administrative machinery there have been numerous complaints of sheer rudeness and offensive conduct on the part of the officers of this Department. "Civil Servants should be civil servants" may be a familiar witticism, but I suggest that it embodies a wholesome admonition to which Civil Servants in Hongkong should pay serious heed. A most unfavourable impression has already been created on visitors to the Colony. And I do seriously appeal to officers of the Immigration Department to remember that they are being paid by local taxpayers to perform their duties and not to show off their own importance.

Sir, I do say deliberately that either the administration of the Immigration measure is radically improved, and I submit that it can, and

Continued on Page 7



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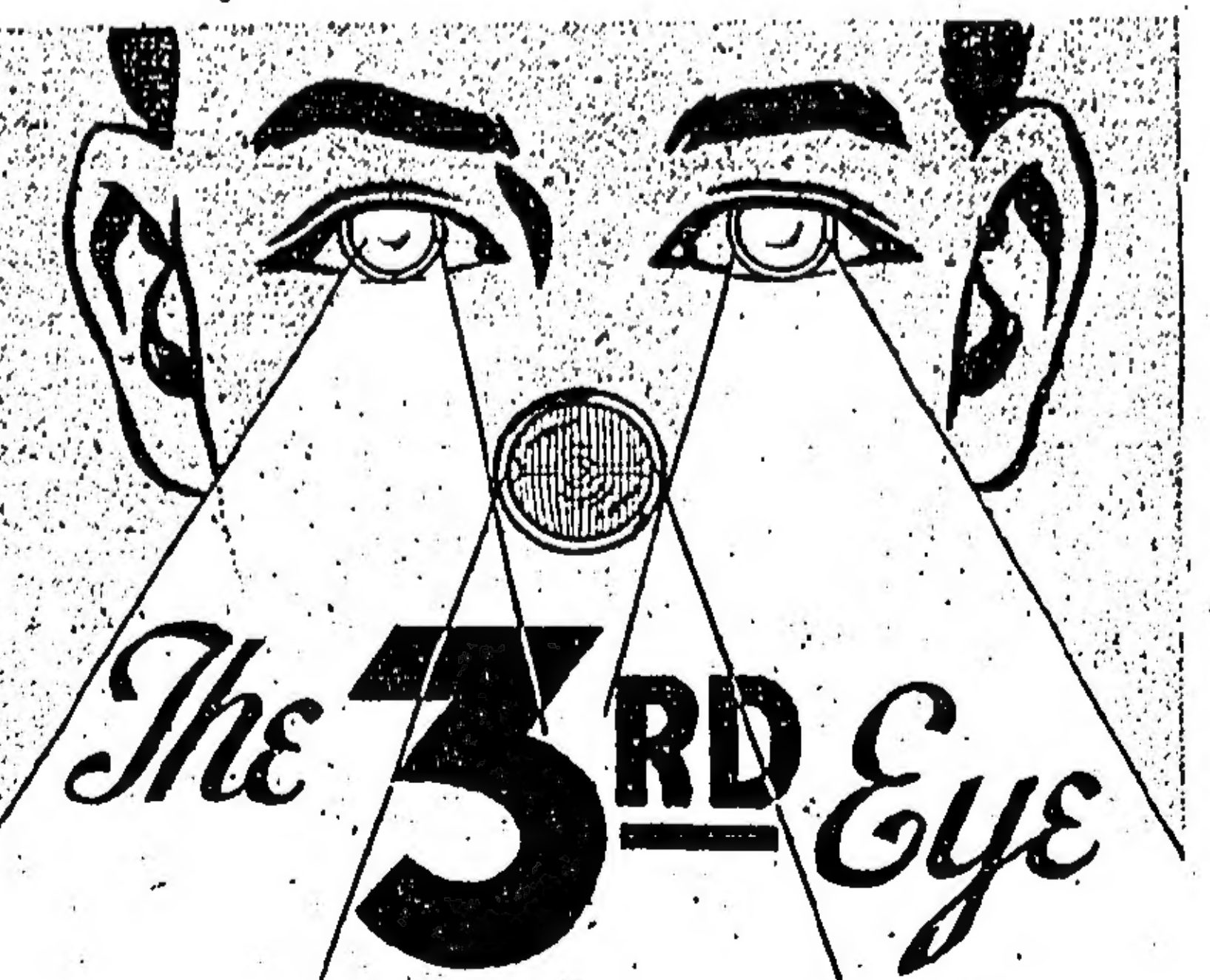
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C.B.A. Beaten By Macao

Secretary,
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falling to provide correct line-
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TO-MORROW at the
KING'S THEATRE

NANCY

By Ernie Bushmiller



Ethiopians Co-operate In Capture of Dangila

KHARTOUM, Feb. 19 (Reuter).—Dangila, 40 miles south-west of Lake Tana, the fall of which was briefly reported yesterday, strategically controls the whole of Gogjam province and the Italians had stationed there a Blackshirt division with other white troops though it is doubtful whether these troops were there when the town fell.

The abandonment of the town on Monday was the result of guerilla pressure during the past few weeks by Haile Selassie's patriots, led by a British officer. They on occasions approached within a few feet of the town's strong defences.

Five days of close attacks followed. As the final blow was struck, co-operation with the R.A.F. and messages received from the planes enabled the patriots to capture some members of the garrison as they left during the bombardment. The remainder of the garrison, retreating to the north-east towards Bahdar Giorgis, a town on the southern point of Lake Tana, were hurried by a small Abyssinian force.

Edge of Plateau
Dangila stands on the edge of the northern escarpment of the Abyssinian plateau, 7,000 feet up, at the junction of the old caravan routes to Addis Ababa from Galabat on the Sudan border and from Roseires on the Blue Nile in Anglo-Egyptian Sudan. The population is small but since Italian occupation roads have been built along the caravan routes, facilitating an exchange of local products, wheat, barley and coffee with goods from other centres.

Women Also Fighting
LONDON, Feb. 19 (Reuter).—Some Abyssinian women are fighting alongside their menfolk in the ranks of the Abyssinian patriots. This was revealed to-night by Princess Tshai, daughter of Haile Selassie, in a broadcast speech. Princess Tshai, who appealed for gifts of clothing for the Abyssinian fighters, has lived in Britain for five years. She announced that she hoped shortly to join an ambulance unit which is leaving for Abyssinia under the leadership of an Australian surgeon.

In Somaliland
Nairobi, Feb. 19 (Reuter).—Increasing British pressure on the lines of the river Juba in Somaliland is announced in a communique here to-night. The communique says that the enemy counter-attacked and

Japan's Foodstuffs Govt Urged To Make Deficiencies Good

SPECIAL TO THE "TELEGRAPH"
TOKYO, Feb. 19 (Domei).—Mr. Kohei Takada noted to-day that the Government's estimates of expenditure for increasing the production of foodstuffs were too small. He also urged the general mobilisation of rural organisations and technicians and engineers for accelerating the plan.

The Minister of Agriculture and Forestry, Mr. Tadamatsu Ishiguro, pointed out that the Government is considering both urgent and lasting measures to attain the objective. Government was preparing to spend another ¥30,000,000 to accelerate the foodstuffs plan.

The Finance Minister, Mr. Isao Kawada, also promised to take steps promptly to realise the plan prepared by the Ministry of Agriculture and Forestry.

Mr. Kohei Takada in this connection suggested increased manufacture of fertilisers, conversion of other agricultural cultivation to that of foodstuffs, and grant of monetary prizes for the production of key foodstuffs.

BURMA PLEADED

Congratulations To Leaders Of Middle East Forces
RANGOON, Feb. 19 (Reuter).—The Senate unanimously expressed satisfaction at the glorious successes of the Imperial troops in Africa and desired that the heartiest congratulations be conveyed to General Sir Archibald Wavell, Lieut.-Gen. Sir Henry Wilson and Admiral Sir Andrew Browne Cunningham.

U.S.S. Washington

WASHINGTON, Feb. 19 (Reuter).—The new United States 35,000-ton battleship, Washington, will be commissioned on May 15, six months ahead of schedule, the Navy Department announced.

The Washington's main armament consists of nine 16-inch guns. HANOI, Feb. 19 (Reuter).—Airmen from the French air force, who arrived in Saigon on February 8 from France, have been assigned to several Indo-China bases, Saigon and strategic points in Cambodia and Laos, says a Japanese report.

SENATORS FACE REALITIES

Aid U.K. or We Fall Together

WASHINGTON, Feb. 19 (Reuter).—Enactment of the Aid for Britain Bill would mean intervention in the European conflict, said Senator Bailey (North Carolina Democrat) at the third day's debate on the Bill in the Senate.

He continued: "I hope that this intervention may not mean war but if it does, I am ready for it."

He declared that the Bill would give the United States a better chance for ultimate deliverance from the totalitarian world revolution.

Senator Connally of Texas, another Democrat, had opened the debate by observing that the world's democracies "must all hang together or they will hang separately."

He predicted that an attempt would be made to invade North and South America if the Axis Powers were victorious in Europe.

Mr Lo Criticises War Taxation
(Continued from Page 5.)

should be improved—or that measure should be dropped altogether.

Tribute To H.E.
Sir, you have assumed the administration of this Colony during a period which is one of the most critical periods of the British Empire. It is not surprising that the difficulty of the situation should have its repercussions on the Colony. The Chinese community gratefully appreciates your concern and labour for the well-being and security of the Colony, as exemplified by your initiative in providing the population with air raid shelters, in the construction of which you have taken such a keen personal interest. Since your arrival in the Colony the Chinese Members of Councils have had to make numerous representations to Your Excellency, and on their behalf, and also on my own, I desire to tender to Your Excellency an expression of our deep gratitude for the sympathetic manner in which you have invariably received those representations, and your ever-ready desire to give effect to them as far as possible.

May I, Sir, also tender our thanks to the Honourable the Colonial Secretary for the invaluable courtesy which he has shown to the Unofficial Members. My colleagues and I desire to pay warm tribute to him for the conspicuous ability which he has shown as Your Excellency's chief adviser, which is such a well known characteristic of our esteemed Colonial Secretary. My colleagues on this Council desire me to state that they wish to associate themselves with the tributes I have paid, and the views I have expressed. In due course the Honourable Mr. Tam will speak on the question of removal of night-soil and the prevailing lawlessness and insecurity of the Colony, and the Honourable Mr. Li will speak on primary education, and I desire to express my concurrence with their views on these subjects. Fully realising the true character of the struggle now being waged by Britain and her Empire, the Chinese in the Colony have willingly and, indeed, enthusiastically co-operated with Government in all measures which Government has deemed necessary to carry out in furthering Britain's war effort, whether by responding to the calls made for service in the Volunteer Corps, Police Reserve, A.R.P., Fire Auxiliary Service, St. John, etc., etc., or in other directions. In view of their deeds I trust, Sir, that it is not necessary for me to pledge to you once more the willing continuance of that co-operation.

N.E.I. Oil Sought By Japan
LONDON, Feb. 19 (Reuter).—The Netherlands East Indies Government has received a Japanese request to explore oil areas in the Netherlands East Indies and has indicated its willingness to specify certain areas which could be explored, according to a Japanese report.

The Dutch authorities, however, are reported to have signified their willingness on condition that Dutch observers accompany the Japanese surveyors.

Pacific Freight Rates Up
San Francisco, Feb. 19. The Pacific Westbound Conference, representing 17 Pacific shipping lines, announced to-day an increase of from 10 to 15 per cent. in freight rates. The increases will be effective from either March 1 or 15 and will cover virtually every commodity.

Shipping circles declare the increases are partly due to the withdrawal of big tonnages from the Pacific and partly because of the general upward trend of operations cost and insurance.

Going freights to Hongkong announced to-day are \$12 a ton for grain, \$16 for metals, \$18 for machinery. The rates for those cargoes a month ago were \$10, \$13 and \$17.

United Press.



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No Satisfaction Yet On The Tangier Issue

LONDON, Feb. 19 (Reuter).—The Anglo-Spanish negotiations over Tangier are still hanging fire.

The Under-Secretary for Foreign Affairs told questioners in the House of Commons to-day that he regretted that he was still not in a position to make a final statement.

The Labour Member, Mr. F. Cocks, asked whether the Spanish pledge that the neutrality of Tangier carried an assurance that Tangier would not be used as a base for operations against French Morocco.

Mr. Butler, on behalf of Mr. Eden, refused to accept the implications which appeared in that query.

The Liberal Member, Mr. Geoffrey Le Mander, asked: "What is holding up a settlement in view of the fact that many weeks, if not months ago, unilateral action was taken in abuse of British rights? Is it not time that we got some satisfaction?"

Mr. Butler said that Mr. Mander's view was shared by the Government and added that the Spanish Foreign Minister had been away from Madrid and that accounted partly for the delay.

Mr. Eden had already said that negotiations had been proceeding satisfactorily.

Mrs Mary Hedley Passes On

The death occurred yesterday of Mrs Mary Hedley, at her residence, 3A Armada Buildings, Kowloon, at the age of 53 years. She had a large circle of friends, with whom she was a popular figure.

Mrs Hedley is survived by her husband, Mr. W. F. Hedley, who recently retired from the Kowloon Dock after 32 years' service, and a son, Mr. G. P. Hedley, well-known football player, who is now in Shanghai.

The funeral will take place to-day at the Roman Catholic Cemetery, passing the Monument at 5 p.m.

Harbour Expert In Hongkong

Announcement by the Colonial Secretary notifies that Sir David J. Owen, late General Manager of the Port of London, having been invited by the Government to investigate the whole question of harbour facilities, including the administration at Hongkong, having regard to the existing system of pier leases, which are due to expire in ten years time, is now in the Colony.

Any person wishing to place his views on the above matters before Sir David Owen is invited to do so by letter as early as possible, addressed c/o Peninsula Hotel, Kowloon.

Australians In Malaya

NEW DELHI, Feb. 19 (Reuter).—The news of the arrival of Australian troops in Singapore is greeted with general satisfaction and it is recalled that large numbers of Indian troops have been drafted to Malaya and the vigorous training they had undergone since has given them a thorough knowledge of the country.

Italian Prisoners.

NEW DELHI, Feb. 19 (Reuter).—A further 35,000 Italian prisoners have arrived making a total of 23,000 now in India.

Nazi Defences Pierced By U. S. Shafts Of Wit

NEW YORK, Feb. 19 (Reuter).—A Nazi broadcast invitation to Americans to send "Receiver to Pay" telegrams to Berlin stating the kind of programmes they would like from Germany has had an amusing sequel.

Thousands of people swamped the telegraph offices, where extra staffs were needed. The messages to Berlin were sarcastic and sometimes downright anti-Nazi.

The staff of one New York firm spent \$50 of Germany's money asking for broadcast on Hitler, Goering and Goebbels singing "Say It Isn't So" and cat and dog meat quotations from the Berlin Bourse.

Others asked for bomb by bomb descriptions of R.A.F. raids on Berchtesgaden.

The Berlin radio, in the latest broadcast, asked for messages to be continued, states the Columbia Radio Company. The announcer requested that no criticism should be spared but "if you have any, praise to offer, we should only be too glad to receive it."

LATE NEWS

Japan Makes Overtures To Britain

FROM PAGE ONE

pute between Indo-China and Thailand.

A Japanese official spokesman had made a statement to the press yesterday which will doubtless come to the attention of members of the House. Mr. Eden had received from Mr. Yosuke Matsuoka, the Japanese Foreign Minister, a special message in courteous terms and on the same general lines as the statement just referred to. The terms of the communication are at present receiving due attention.

No Compromise

LONDON, Feb. 19 (Reuter).—"Britain will not entertain peace proposals until a complete victory has been gained." Is the categorical reply of an authoritative quarter here commenting on the Japanese spokesman's statement that Japan is ready to mediate in any war if invited to do so.

The London authority points out that it is most interesting that the Japanese spokesman should feel called on to make such an offer adding, "The Japanese evidently do not appreciate the conditions in Europe brought about by a war started by their ally. As the British Premier emphasised over and over again, there can be no compromise."

Ad. Stark Says Tokyo Be Ignored

FROM PAGE ONE

approve the proposed expenditure of \$4,700,000 for bomb shelters to make Guam a naval aviation outpost.

An expenditure of \$8,100,000 for similar purposes at Tutuila Island in Samoa will also be approved, it is expected.

The House has also tentatively approved a section of the naval base development programme authorising the expenditure of an additional \$60,000,000 for the development of the Atlantic bases acquired from Britain. This is considered to be the first step towards Congressional ratification of the "Destroyers for Bases" deal.

Guam Project

Mr. Vinson also read a letter from Colonel Frank Knox, Secretary of the Navy, emphasising that the Guam project is "of particular importance to the Navy."

Mr. Vinson prefaced his remarks by stating that the country could rest assured that "all hands in the Navy were on tip toes ready for any emergency that they may be called to meet."

Tentative Approval

WASHINGTON, Feb. 19 (Reuter).—The House of Representatives has tentatively approved the development of Guam and Samoa as naval and aviation outpost.

Goes To Senate

WASHINGTON, Feb. 19 (Reuter).—The House of Representatives today passed the measure authorising the expenditure of \$242,000,000 on the development of naval bases. The measure now goes to the Senate.

The bases include Guam and Samoa and the Atlantic sites acquired from Britain.

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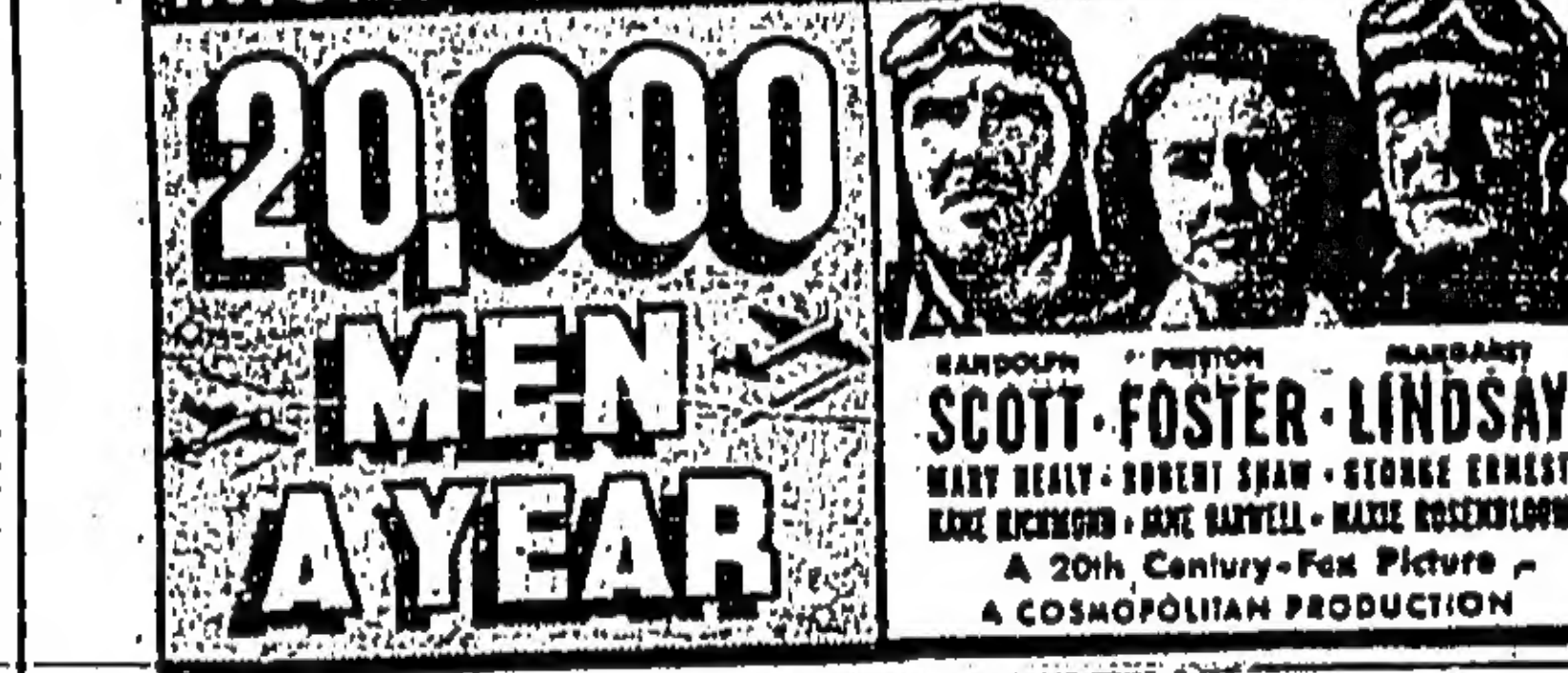
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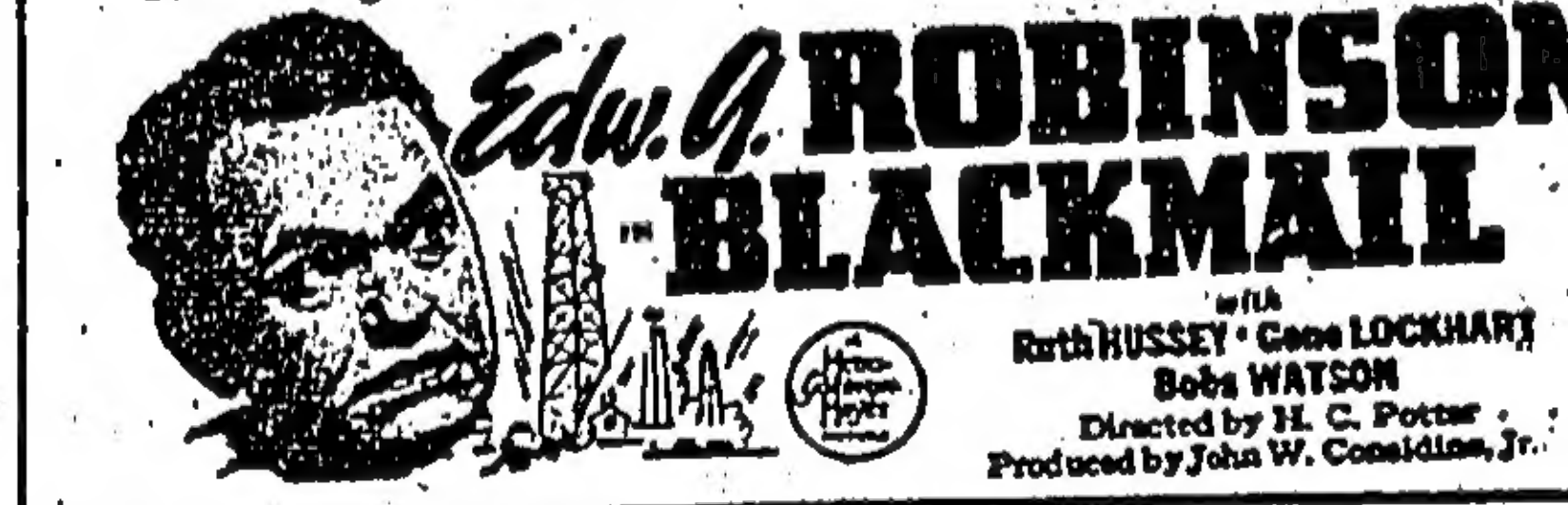
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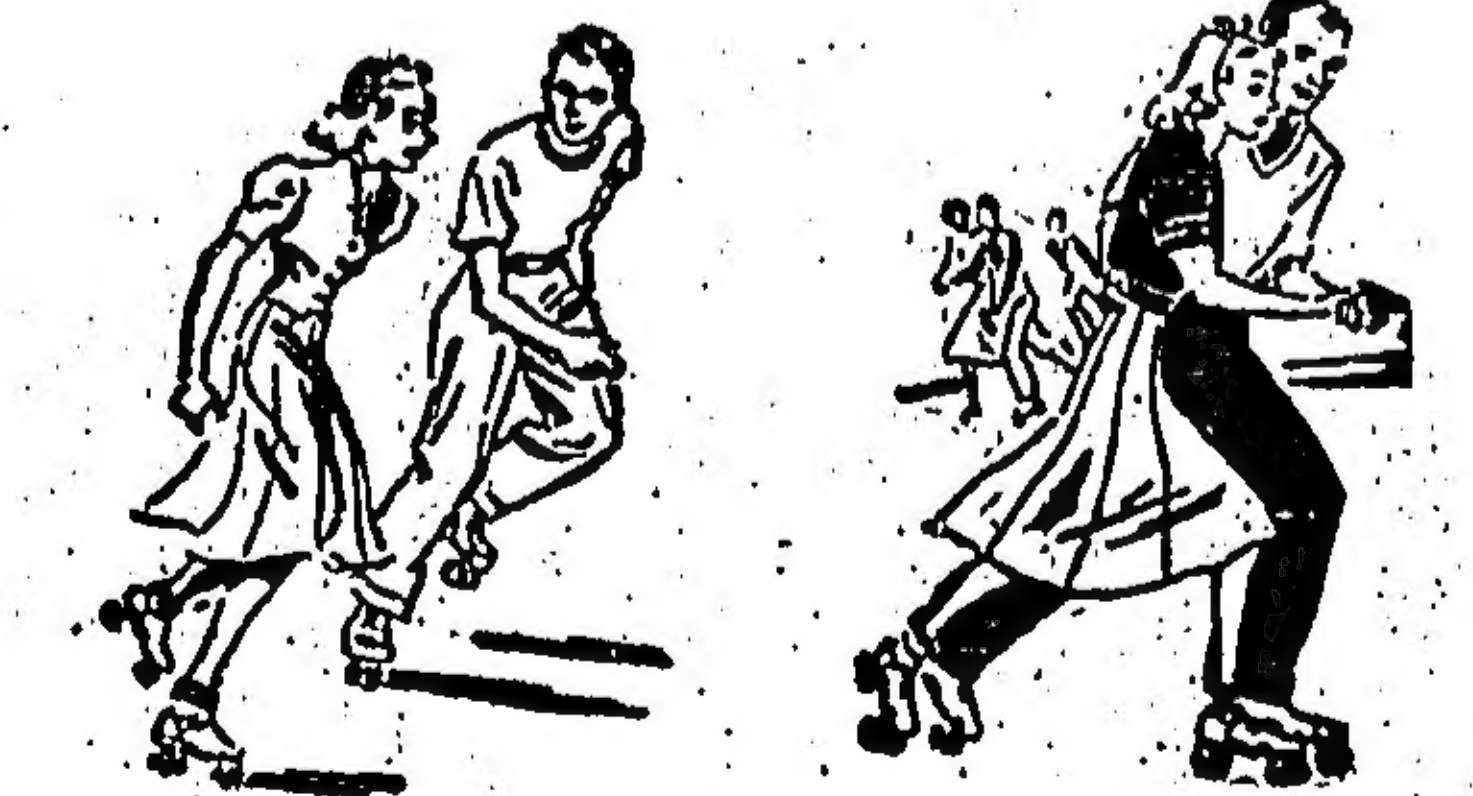
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WHITEAWAY'S

DETAILED REPORT OF UNOFFICIALS' DEBATE ON THE HONGKONG BUDGET

Complaints Against Inefficiency Of Several Govt Departments

The debate on Hongkong's 1941-42 budget opened shortly after half past nine this morning in the Council Chamber, when all the Unofficial members of the Legislative Council made their contribution.

The Colonial Secretary, Hon. Mr N. L. Smith presided, in the unavoidable absence of His Excellency the Acting Governor, who is indisposed, as a result of slight injury sustained while out walking yesterday.

CONVOY QUERY IN HOUSE

Exaggerated Reports

LONDON, Feb. 19 (Reuter).—Recent German claims to have inflicted heavy losses on a British convoy were dealt with in the House of Commons today, arising from a member's invitation to make a statement on the reported loss of 13 vessels and whether those vessels were under protection.

The First Lord of the Admiralty, Mr A. V. Alexander, replied that it was not possible to answer such a question without assisting the enemy, and in the meantime the questioner should not assume that the reports broadcast by the enemy were correct.

No Protection

The Labour Member, Mr Emanuel Shinwell, asked whether it was not the case that a full report had appeared in the American press and that a statement had also appeared that this very important convoy had no protection whatever.

"Are these facts not well enough known to the enemy?" he asked. Mr Alexander replied: "Mr Shinwell is in error in assuming that the enemy's statement was correct. It is a statement I do not accept any more than I had accepted the report in the case of a previous convoy in the Atlantic where the enemy claims were grossly exaggerated."

Governor's Accident

Falls While Walking

While out walking with Major General A. E. Grasett in the neighbourhood of Wongneichong Road yesterday afternoon His Excellency the Governor, Lieut General E. F. Norton, slipped and fell, hitting his head, as a result of which he suffered from concussion for some time.

Inquiries made at Government House reveal that there is no cause for alarm, but the doctors have forbidden His Excellency to attend to any business before Monday.

There are no injuries except bruises and His Excellency's condition this morning is said to be much better.

Statement To Council

Addressing the Legislative Council this morning, the Hon. Mr N. L. Smith said: "Gentlemen, I regret to announce that His Excellency the Acting Governor, while walking in the country yesterday afternoon, sustained an injury which prevents him from presiding to-day. I am sure I may express on behalf of this Council our deep sympathy, and the hope for an early recovery."

Native Sympathy For Allied Cause

LONDON, Feb. 19 (Reuter).—Native of Tanganyika, in the areas of Wankizi and Ngumbi are determined to play their part along with other citizens of the Empire in helping the London men and women rendered homeless through the "blitz". They have donated respectively 80 and 120 head of cattle, their most cherished possession, to relieve the distress of the air-raid homeless.

The Hon. Mr J. J. Paterson thought the budget was a good one, but expressed the opinion that the conduct of some of the Government's affairs were bad, and he wondered whether no member of the local Heavenborn was ever dismissed for inefficiency.

The Hon. Mr S. H. Dodwell wanted some of the iniquities of the present war taxation bill to be ironed out and revealed himself opposed to direct income tax. He too, was highly critical of the Government services, and suggested that the special war time departments had been staffed, not with men considered suitable for the jobs, but with senior men Government had either to find jobs for, or pension off long before their pensionable age.

Mr Dodwell suggested an enquiry into the many serious charges that had been made against certain departments; he said this would be in the interests of both the departments and the public.

The Hon. Mr M. K. Lo, chief spokesman for the Chinese members, made comprehensive survey of the Estimates, criticised the Financial Secretary's assessment of the war taxation returns, deprecated the suggested increase in death duties, and was also critical of the manner in which the work of food controlling was being effected in Hongkong, as well as Government's policy concerning firewood, and the manner in which the work of the Immigration Department was being carried out.

The early speeches, which had been delivered up to the time of going to press follow.

Hon. Mr J. J. Paterson

Opening the debate, the Hon. Mr J. J. Paterson, said:

"Your Excellency.—It is usual for the Unofficial opening the debate to deal with those matters on which we are all agreed and in which no other member has any very special interest. This procedure this year leaves me little to say.

We have written Your Excellency about the conduct of some of Government's affairs, which we sadly feel to be bad. This will, we hope, be dealt with at another time; we do wonder how it is that, alone of all the Services and unlike the business world, no member of our local Heavenborn is ever dismissed for inefficiency. Perhaps the answer is that none is ever inefficient.

The budget is a good budget and on behalf of all the unofficials I would like to thank our Financial Secretary for the very great care he has taken of the Colony's finances.

Night Soil Collection

We have suggested the postponement of various works which we believe can very well keep until later and these have been agreed to. I think the result lies on the table. There is one item, however, which still remains open, the collection of night soil by Government at a cost of \$304,000 for cooies only, we firmly believe supervision can be given to the existing arrangement until we can see more clearly what the future holds for us.

The necessity for Evacuation is at last apparent; I feel that some part of all three parties to it behaved badly, the Colonial Government, which failed completely to make proper arrangements ahead of the event, some of the evacuees who continue to complain I think unduly of hardships which when viewed in the home-light of Coventry are little enough and the Home Government when it failed to enforce laws laid down and allowed non-co-operation to succeed. A Policy of incomprehensible which reminds me of St. Athanasius, his creed.

Hon. Mr S. H. Dodwell

Addressing the meeting, the Hon. Mr S. H. Dodwell remarked:

Your Excellency.—Amendments to the Budget recommended by the Select Committee and agreed to by Your Excellency have considerably reduced the deficit originally forecasted by my Honourable friend the Financial Secretary.

Everyone must regret the need for the pruning that has taken place, and must also admit that we lag behind lamentably in the matter of social services. The leeway must be made up as soon as possible, but surely it is nothing less than lunacy to spend large sums on elaborate hospitals and police stations on the surface of the

ground while at the same time we are building a network of air raid shelter tunnels under it.

I am very glad indeed that the Government have agreed to include an extra \$100,000 for the University, of which the revenue has been so badly reduced by the fall in the value of the Chinese National Dollar that it can barely carry on in a manner befitting the Colony. Our prestige is at stake, and it seems to me we should either run the University efficiently, or not at all.

War Taxation

My Honourable friend the Financial Secretary considers it inevitable that we increase our War Taxation and favours an Income Tax rather than an increase in the present War Revenue Ordinance rates. Except as regards the Salary Tax, I am not affected by our local taxation, my Company being registered at Home. My views therefore are perhaps suspect. In comparison with Home taxation the Colony is of course ridiculously lightly taxed. At the same time, I am not in favour of increasing taxation on the low level incomes. Married men with salaries around say \$10,000 per annum are I know finding it increasingly difficult to make ends meet. Cost of living statistics show a very substantial rise and those young married men with evacuated families and two households to maintain, should receive greater consideration in the allowance for wives and children, provided they pay their own maintenance expenses themselves. I am also strongly in favour of exempting charitable contributions from taxation. This is done at Home and if it isn't done here our charities will surely suffer.

I am convinced that a change from the present, compromise taxation to a straight income tax would lead to the same unfortunate opposition that it encountered last year. Rather I think we should endeavour to iron out some of the iniquities of the present Bill. There must surely be a great advantage in knowing what revenue it produced on the basis of 1939. On that of 1940, even at the same rate, it should produce more, whereas to force an income tax on an unwilling Chinese population might easily lead to our getting less revenue and cost us more to collect.

Adverse Criticism

During the deliberations of the Select Committee, the conduct of certain Government departments came in for much adverse criticism. My Honourable friend the Senior Member has already dealt with this matter, but I should be inking in my duty were I not also to stress the extreme seriousness of the many adverse reports and complaints which for too many members of the public have brought to the notice of the Unofficials. Unfortunately, few, if any

of the serious charges made can be supported by evidence because those concerned are unwilling to come forward for that purpose, but grievances are so numerous that in the interests of the departments themselves, as well as that of the public, an enquiry should be held.

Last year in the remarks I made during the budget debate, I expressed my conviction that the Government was suffering from three deadly disabilities: firstly, their inability to dispense with the services of an unsatisfactory servant; secondly, promotion by seniority rather than ability; and thirdly the higher pay obtaining in this Colony as compared with most others, which reduces to a minimum the healthy transfer of staff from one Colony to another, and breeds a parochial-minded service.

In the Report of the last War Revenue Committee the members, composed of the leading business men of the Colony under the Chairmanship of my Honourable friend the Attorney General, were unanimous in recommending that—

"To meet this need, a Commission (preferably a Royal Commission) be set up to investigate the whole of organisation of civil government in this Colony with a view to ascertaining whether it is possible to effect economies which would permit of a substantial increase in the programme of social services without undue increase of taxation."

We realise that the present situation renders it impossible for this recommendation to be carried out, but if the same Committee is reconstituted this year, I hope they will repeat this recommendation in their 1941 report, lest 1940's be pigeon-holed and forgotten.

Overhaul Needed

There is pressing need for a thorough overhaul of a system which has raised the total of personal emoluments to such a fabulous sum that the Colony's taxable capacity in normal times is not equal to also providing what should be provided for our social services.

The paucity and mediocrity of the executive material available this year to fill the special war time department, I think, confirmed my last year's criticism up to the hilt. I am quite sure that the executive heads of the Government staffed these departments not with men they considered to be suitable for the jobs, but with senior men they had either to find jobs for or pension off long before their pensionable age. Although they probably won't admit it, they know in their heart of hearts that this is the case. The Prime Minister has made it clear that he wants to rid himself of much of the verbiage and red tape in which the service abounds. Let us pray that, at the end of this war, he will go further, and see that it is placed on a more businesslike and workable footing.

Continued on Pages 5, 6 and 9

Australians In Malaya

NEW DELHI, Feb. 19 (Reuter).—The news of the arrival of Australian troops in Singapore is greeted with general satisfaction and it is recalled that large numbers of Indian troops have been drafted to Malaya and the vigorous training they had undergone since has given them a thorough knowledge of the country.



Berlin Too, Has Air Raids

Berlin has been receiving a share of air raids since the war, despite the Nazi boast that it was impossible for attacking planes to get past defences. Here we see civilians in Berlin clearing away debris after an R.A.F. attack.

RECONNAISSANCE FLIGHTS BY GERMANS OVER GREECE

BELGRADE, Feb. 19 (Reuter).—Reliable reports that German planes made reconnaissance flights over Greece yesterday are taken here to indicate that Hitler is going forward with his "nerve war" in an attempt to force Greece to give up the struggle against Italy.

Japan Makes Official Overtures To Britain

LONDON, Feb. 19 (Reuter).—The Japanese Foreign Minister, "Reuter's" diplomatic correspondent learns, has addressed a special message to Mr Anthony Eden, the Foreign Secretary, in which he offers to take whatever action he needed to restore normal conditions not only in the Far East but anywhere in the world.

Anglo-Soviet Impasse

Mr Butler's New Statement

LONDON, Feb. 19 (Reuter).—No further progress in Anglo-Soviet negotiations could be reported by the Government spokesman when questioned in the House of Commons to-day.

Mr Butler said that since his last answer some weeks ago, matters had not been carried further by the Soviet Government.

The Labour Member, Mr. Frederick Cocks, argued that, as there was so little difference between de jure and de facto recognition of the position in the former Baltic states that such small things should not be allowed to interfere with the establishment of better relations between Britain and Russia.

Certain Large Issues

Mr Butler said: "There are not only small but certain large issues involved in this question and I cannot take it further at present."

Mr Butler did not reply to a supplementary question which implied that Russia is terrified of Germany; and secondly that the British Ambassador in Moscow, (Sir Stafford Cripps) should be brought back to report to a secret session of the House of Commons.

Vichy Trial

LONDON, Feb. 19 (Reuter).—A big trial of officers who have joined General de Gaulle's movement is to begin on February 23 at Gannat, ten miles west of Vichy, states a Vichy dispatch to the official German news agency. The proceedings will not be open to the public.

It now seems clear that he may try intimidation before risking a conflict by sending troops to the Greek frontier.

The German planes dropped no bombs and were not fired on by the Greeks.

It is not known whether they used Bulgarian or Rumanian bases.

Under No Pressure
ATHENS, Feb. 20 (UP).—Informed quarters stated that Greece is not under pressure from outside regarding peace proposals.

They said that the Turko-Bulgarian declaration does not alter the existing commitments between the Balkan States.

Balkan Bloc Necessary
LONDON, Feb. 20 (UP).—The Under-Secretary for Foreign Affairs **TURN to Back Page, Column 3**

Macao Launch Seized

By Japanese Gunboat

A Macao steam launch, the Chung Wah, owned by Mei Yuen Co., Macao, was the victim of a Japanese gunboat recently, according to a report made by the Master, Leung Yau, to the Hongkong Police.

Leung reported that he was towing a lighter containing ducks, eggs and firewood from Kwang Hoi, Toishan, to Hongkong but near Macao a Japanese gunboat put out from Ho Ngon, towed them in and retained both launch and lighter. The crew were put off on the mainland and they made their way by junk back to Macao.

Leung said his Hongkong papers were taken by the Japanese.

Ad. Stark Says Tokyo Must Be Ignored

WASHINGTON, Feb. 19 (Reuter).—A letter from Admiral Harold Stark, Chief of Naval Operations, suggesting that any Japanese protest at the United States' naval defence measures should be "totally disregarded" was read by Mr Carl Vinson, Chairman of the Naval Committee of the House of Representatives, to-day.

The Committee was beginning the debate on the \$242,000,000 naval base development programme.

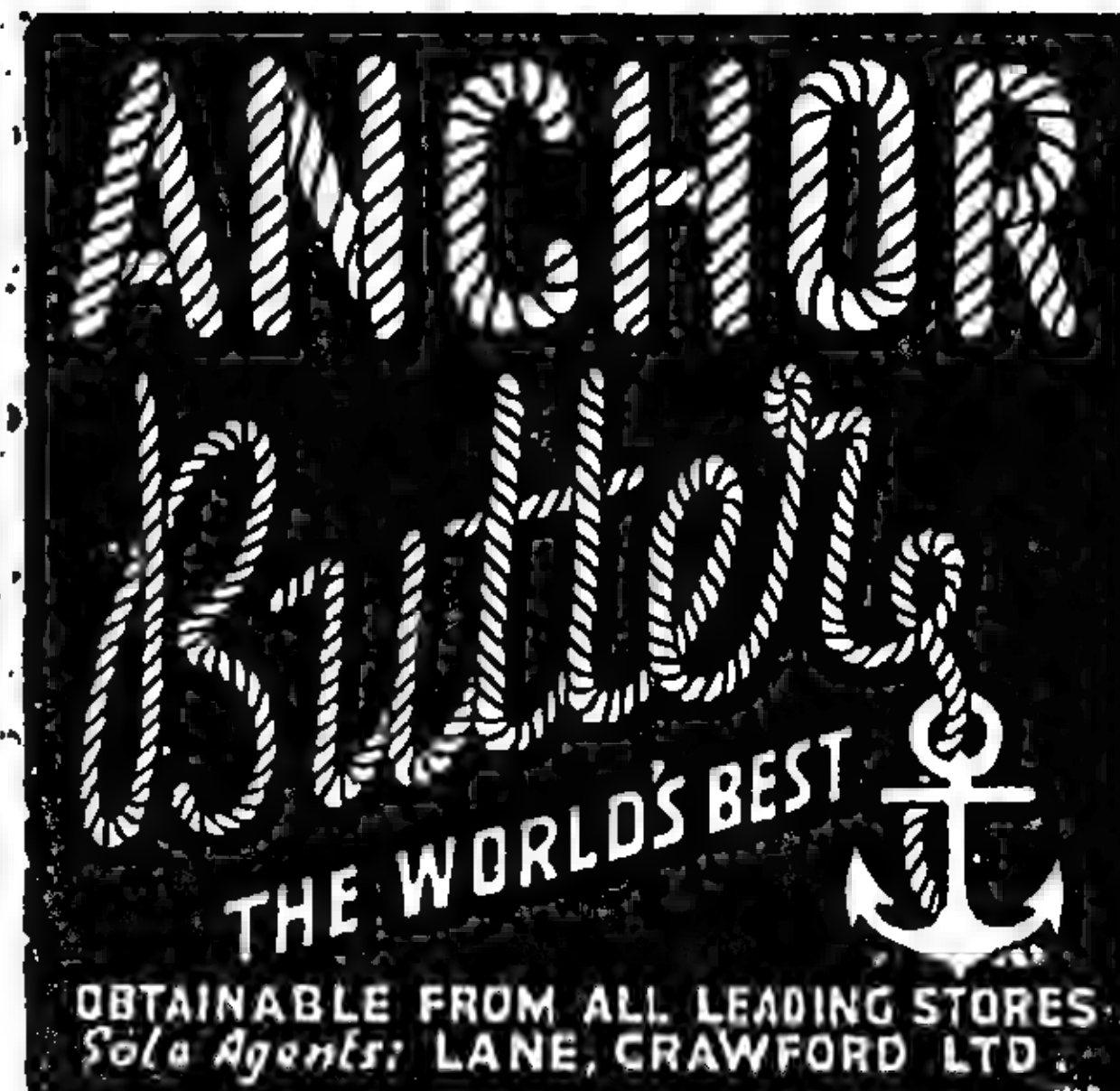
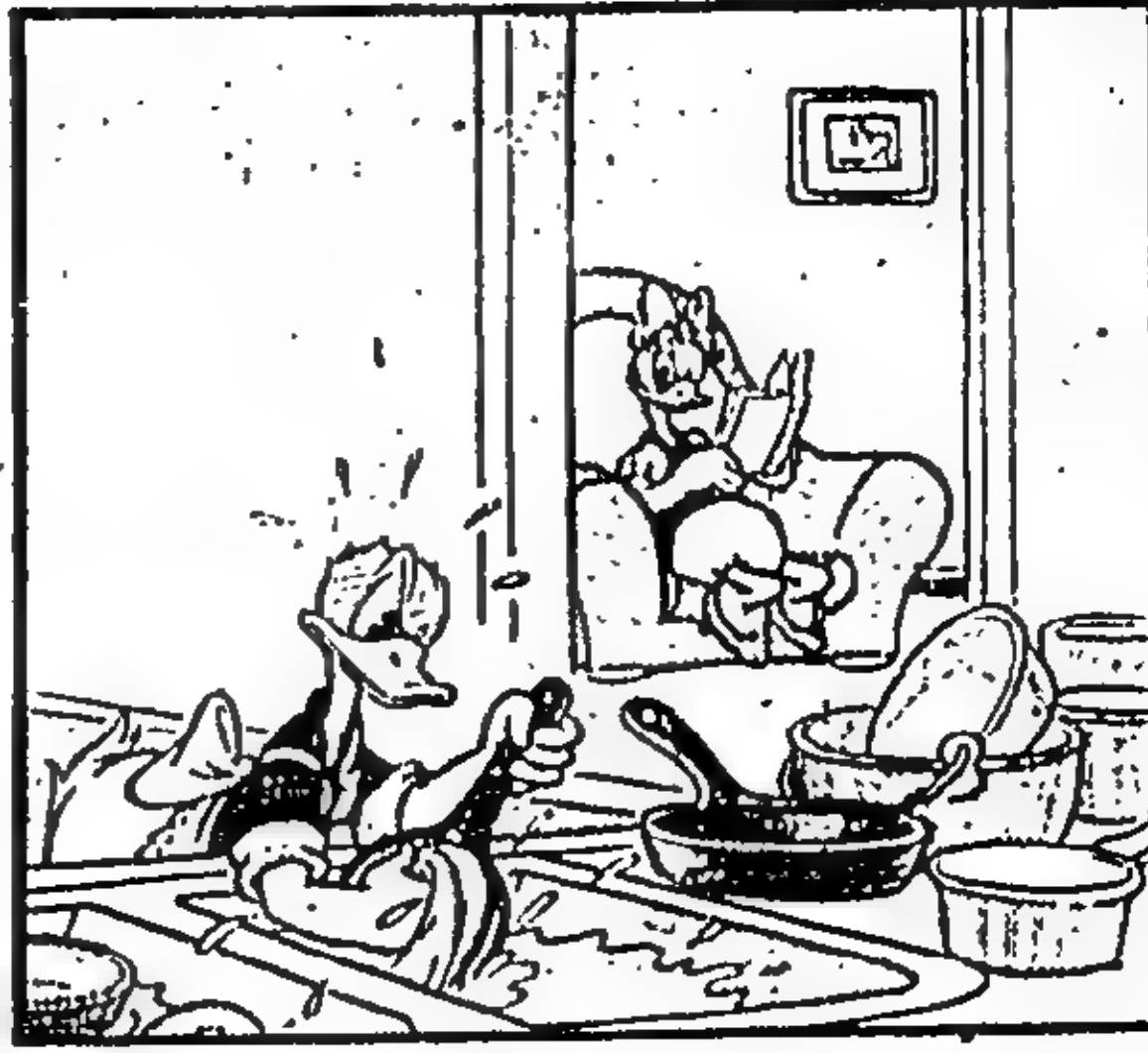
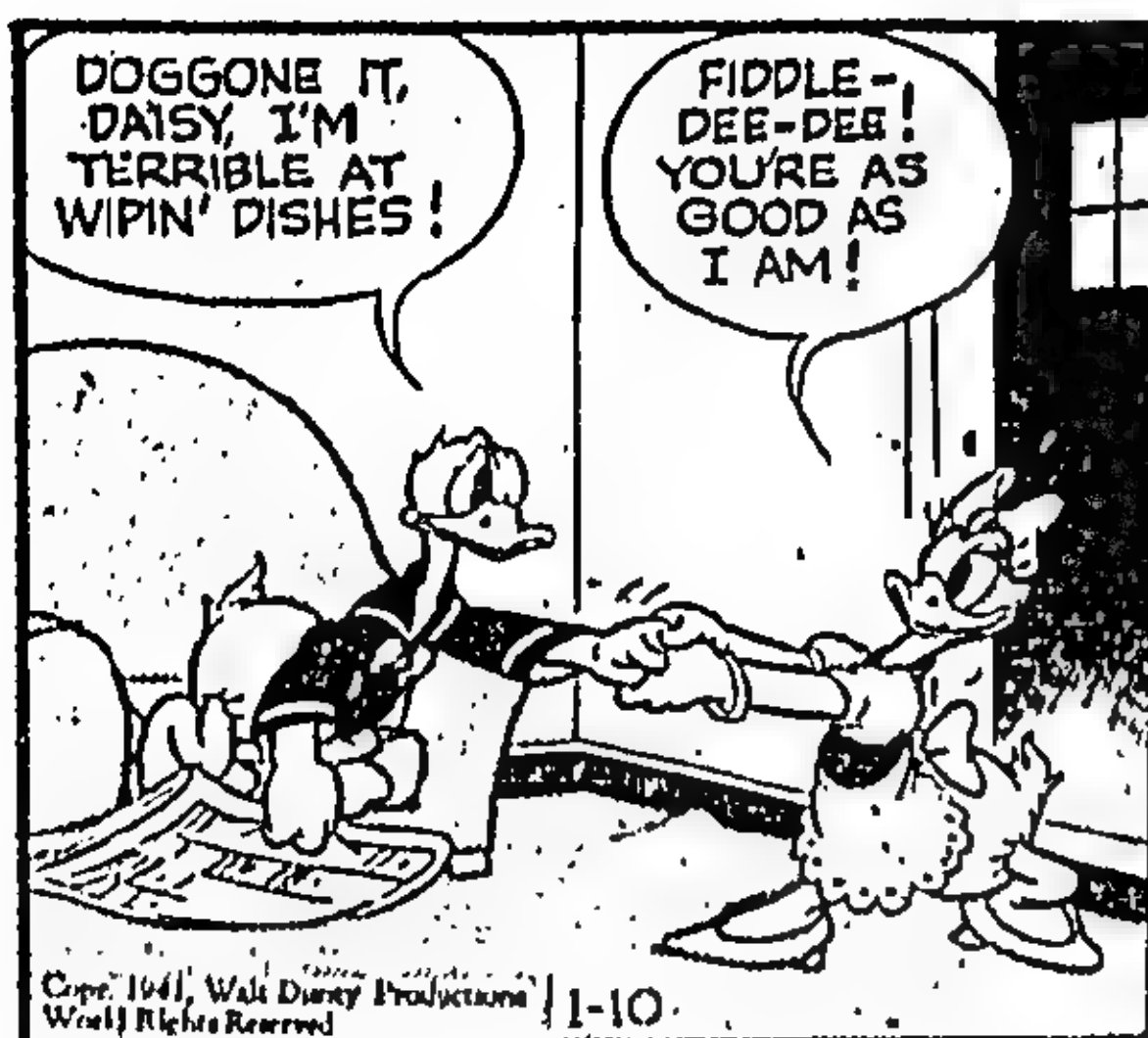
Admiral Stark pointed out in his letter that the House last year defeated a similar project for defence work at the island of Guam "because Japan might take offence."

"It is inconceivable to me," he added, "that Japan could or would take offence to any such inoffensive measures." If she did, then the protest would be "unwarranted and should, in my opinion, be totally disregarded."

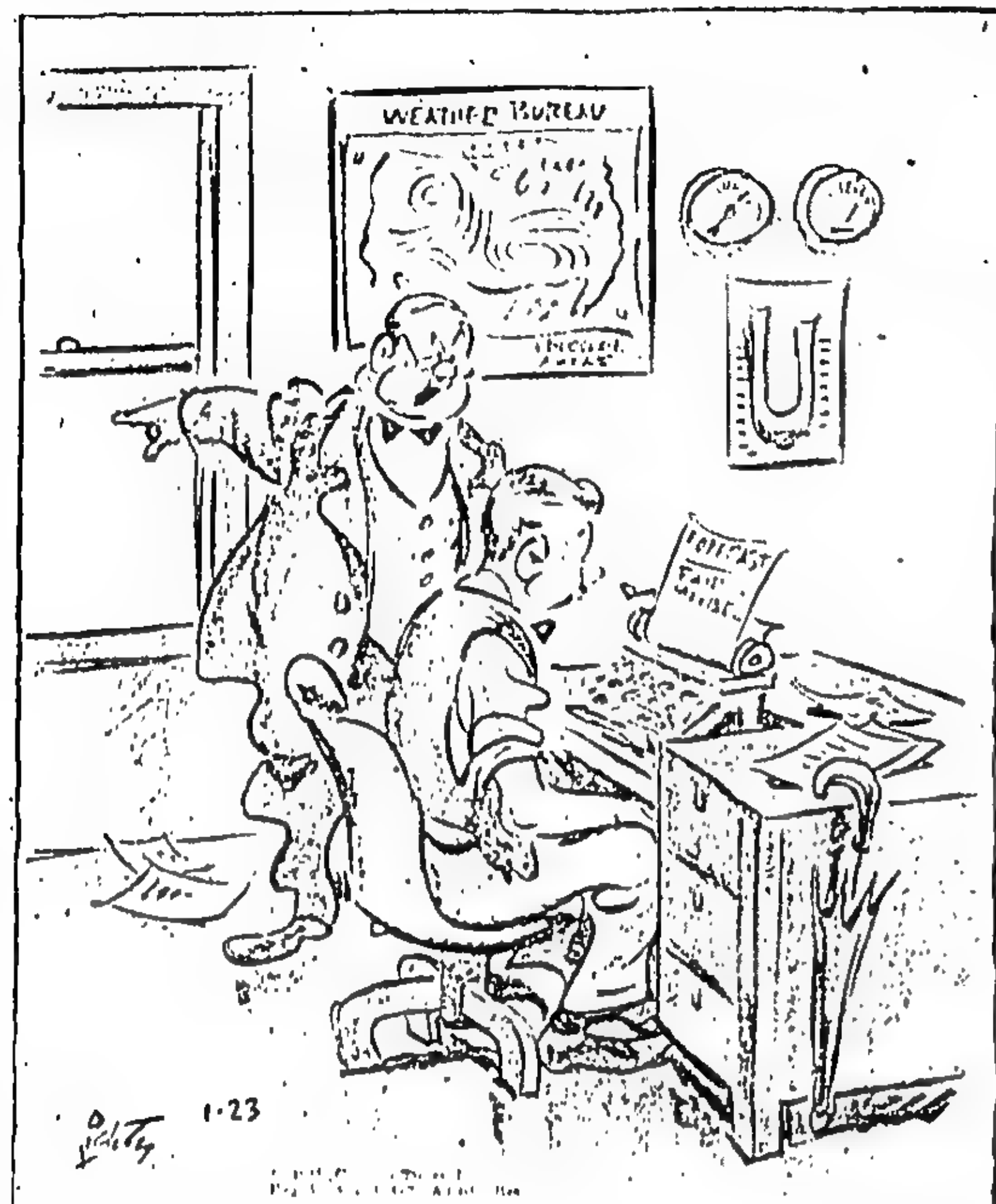
Admiral Stark emphasised that Guam was American property, saying: "Our actions should be determined by what is best for the United States and not dictated by any foreign power."

The House will almost certainly **TURN to Back Page, Column 3**

DONALD DUCK



GRIN AND BEAR IT By Lichty

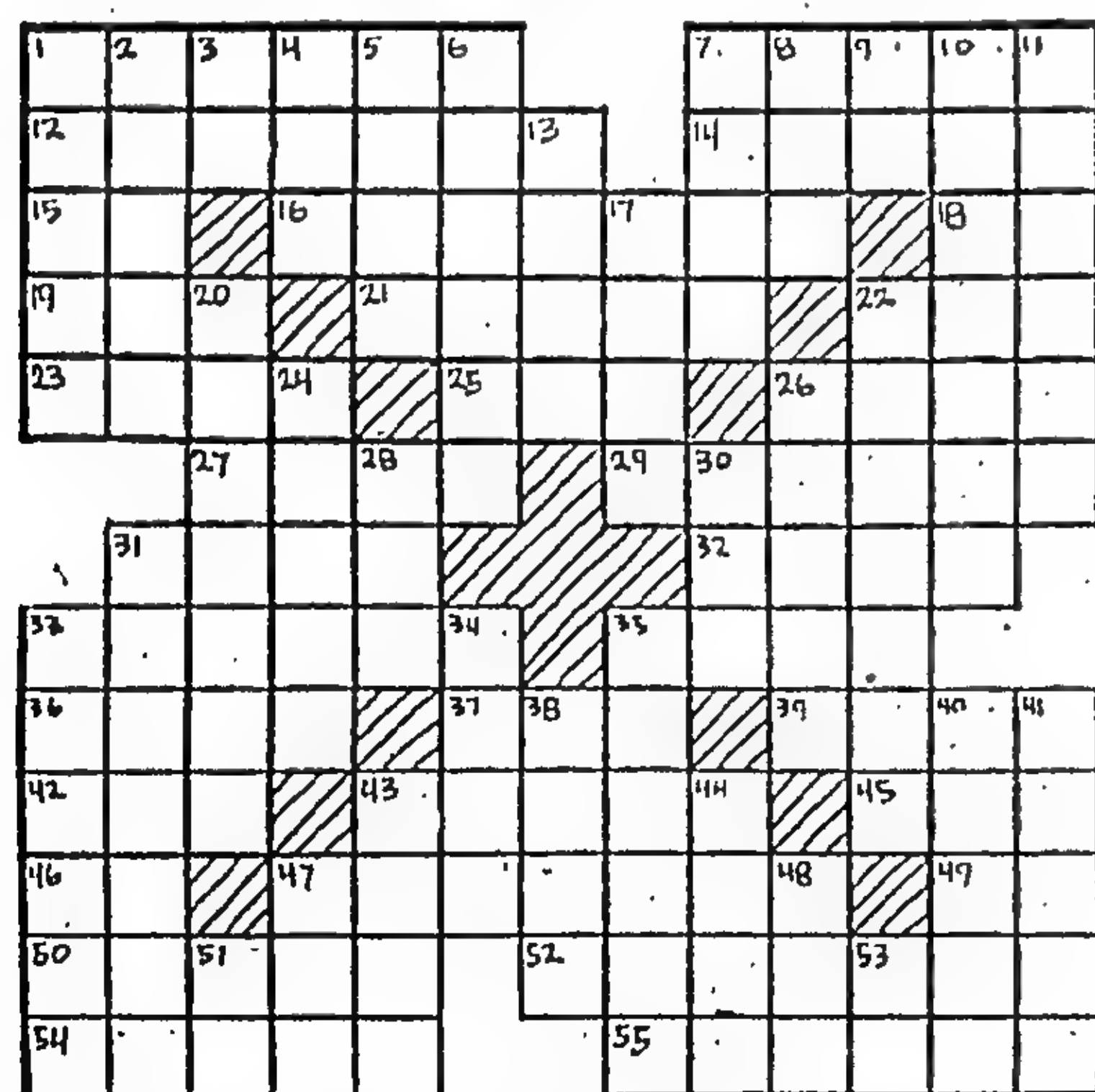


"The first requirement of successful forecasting, Trufflo, is to look out the window first!"

Crossword Puzzle

By LARS MORRIS

- ACROSS
- 1—Dazed condition
 - 2—Father's
 - 3—Covered with paper
 - 4—Factory
 - 5—Son of (Welsh)
 - 6—Thoroughgoing
 - 7—Tantalum
 - 8—Legal thing
 - 9—One who rescues
 - 10—Favrite
 - 11—Circles
 - 12—Girl's name
 - 13—Extraordinary
 - 14—Throw gently
 - 15—Living rows
 - 16—Piece of baked clay
 - 17—World War airplane
 - 18—Linen
 - 19—Exclusively for men
 - 20—Embryo plant
 - 21—Jewelry
 - 22—Observe
 - 23—Was in season
 - 24—Discharge
 - 25—And not
 - 26—Male hobby
 - 27—Capital of Java
 - 28—In order to
 - 29—Blind leads
 - 30—Hebrew priest
 - 31—Eat away
- DOWN
- 1—Lanky
 - 2—Come to point
 - 3—Away from ground
 - 4—Through
 - 5—Anglo-Saxon monera
 - 6—Kind of fort (pl)
 - 7—Part of mast
 - 8—Dispersed
 - 9—Lemon
 - 10—Come in
 - 11—Lennard
 - 12—Opera singer
 - 13—Linen
 - 14—Cotton and wool
 - 15—Kind of excellence
 - 16—Unbroken
 - 17—Wash for gold again
 - 18—Dry as wine
 - 19—Adherent of
 - 20—Amphibian
 - 21—Convince
 - 22—Sine entrance
 - 23—Navy's name
 - 24—By word of mouth
 - 25—Heater
 - 26—Irregularly toothed
 - 27—Disappear
 - 28—Hindu goddess
 - 29—Till
 - 30—River island
 - 31—Italian river
 - 32—Then, if French



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"TELEGRAPH"
everywhere

SONG HITS OF THE WAR

LONDON.—Big-
gest song hit of the
second World War is
the "Beer Barrel
Polka."

Canadian soldiers
sang it when they dis-
embarked in England.
Australian and New
Zealand soldiers sang
it when they filed
down the gangplank
in the Middle East.
English soldiers sang
it as they sloshed
through the mud of
France. And shelter-
dwellers in London
sing it while the
bombs whistle down
about them.

So far it's sold nearly a
million copies—and it's
still a good seller.

Running a close second
on England's "hit parade"
is the American best-
seller, "South of the Bor-
der," which, incidentally,
was written by England's
best known song-writing
team, Jimmy Kennedy and
Michael Oarr. That, too,
has sold nearly half a mil-
lion copies.

Third place probably
goes to "Wish Me Luck
as You Wave Me Good-
Bye," with which Gracie
Fields, the English com-
edienne now in the United
States, sang her way into
the hearts of the British
Army, Navy and Air
Force. Some 450,000 copies
have been sold.

Carr, working alone, wrote
the song that is in fourth
place, "Somewhere in France",
whose popularity waned after
Dunkirk. That sold 400,000
copies.

But none of the songs of
this war approach the sales
of England's hits of the last
war. For instance, "It's a
Long, Long Way to Tip-
perary" sold 5,000,000 copies,
"Roses of Picardy" 3,000,000
copies, and "Keep the Home
Fires Burning" over 1,000,000
copies.

Publishers attribute the
drop in sales of hit songs to
the radio, on which a popular
song to-day is literally "played
to death" in about 13 weeks,
whereas during the last war
the average life of a hit song
was two years.

Songs symbolising the uni-
versal hope for better days
ahead are finding a ready
market. One publisher com-
missioned Irving Berlin to
write a song expressing this
thought. Berlin produced
"It's a Lovely Day To-mor-
row," which sold 100,000

By HOMER JENKS
United Press Staff
Correspondent

row", which sold 100,000
copies.

Others that have sold well
include "It's a Hap, Hap,
Happy Day" and "We'll Go
Smiling Along."

★
Topical songs also have
proved popular. For the
raid-harrassed civilians, their
"Good night", whose words
go:

"Please don't think me
rude because I'm yawning.
But I have to get up in
the morning.
Good night, Goodnight.
Got your torchlight?"

POCKET CARTOON



"Ever since Taranto poor
Antonio's been just one mass
of nerves"

PRIVATE LIFE OF A PRIVATE FREE AS THE AIR

THE wireless was on. So
T. was an argument. The
Man from Leicester said:
"The best song in the world
is, 'If I Could Fall in Love
Again I'd Fall in Love wi'
You Again.'"

"Don't talk wet, you silly
git," said the Kid from
Widnes. "Give me 'Trees.'"

"Matter o' fact, yer both
wrong, see?" said the Lad
from the Elephant and Castle.
"What about 'She's Funny
That Way?'"

"'Pale' and I looved beside
t' Shalimar," said the Man
from Yorkshire.

"Lillolady," said the Wal-
sall man.

"Little Old Lady be dam-
ned," said Phillips.

★ ★ ★
Somebody climbed on a bucket
and manipulated the dial of the
set. It cried wheeee, and Cluck.
There was a faint of orchestral
music and a crack of applause as
the dial hit through a thousand
miles of ether.

Then came a miserably familiar
voice, and the Walsall man said:
"Aw-Aw!"

It came through quite clearly.
The tortured atmosphere grunted,
panted, and sometimes held its
breath altogether. But between
crackles, Haw-Haw, talked on—
the poor traitor, spat upon and

scorned, drawing his spite into
space. "Switch him off," said the Kid
from Widnes, "and let's get Syd
Walker."

"Just a minute," said the York-
shireman, and we listened for an-
other little while.
"I wonder what they pay 'im,"
said the man from Leicester.

★ ★ ★
"Whatever they pay 'im, it won't
be no good to 'im," said the Lad
from the Elephant. "It's like a
copper's mark. 'E gits a few bob.
So wot? 'E can't look 'imself in
the face; everybody looks dahn on
'im. I betcher a million pounds
the Jerries think to themselves,
Gertcher, you traitor, you! Del-
cher!"

"He's no Englishman," said the
Man from Yorkshire.

"There's bad Englishmen," said
the Lad from the Elephant.
"There's rats in every drain."

Phillips said, "Yeah. But get
the point? The fact remains that
here we are, on active service, and
we can listen to him if we want
to!"

"Do you realise there aren't
many places left in the world
where you can do that? Switch
'im on or off as you like; nobody
cares round here. Now isn't that
tol?"

"Switch the silly git off," said
the Kid from Widnes. "I want
some music."

The set squealed and clucked
again, and a second later seventeen
men were singing "Begin the Be-
guine" in seventeen different keys.

For the Figure of Youth! A New Corset

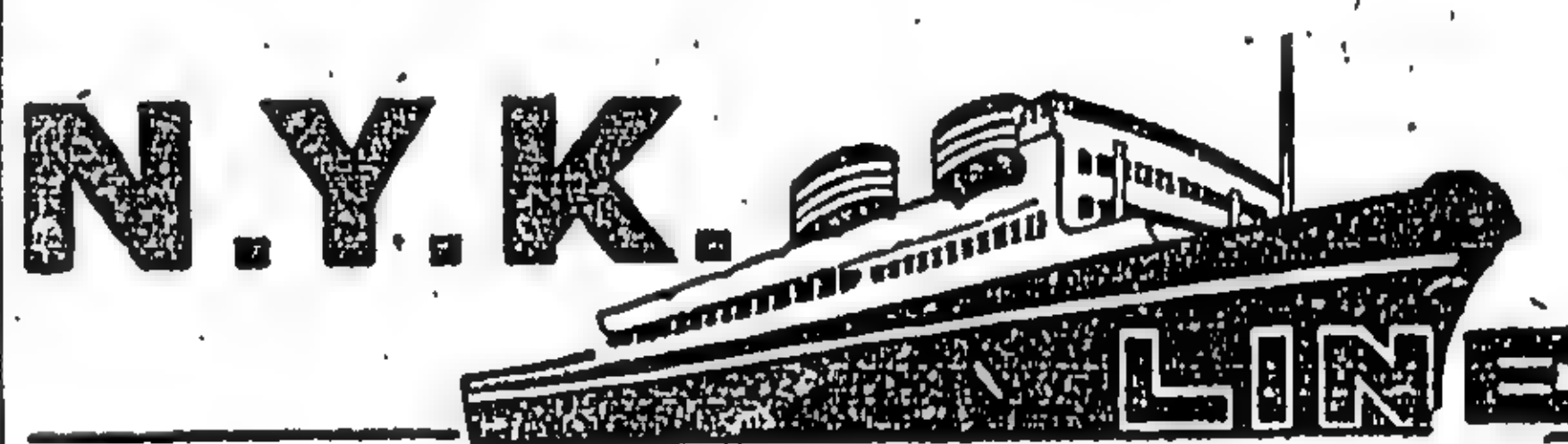


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SOUTH AMERICA (West Coast) via Ilio & San Francisco

• Sanuki Maru (starts from Kobe) Thursday, 20th Feb.
NEW YORK via Japan & Panama.

• Awata Maru Thursday, 20th Mar.
SYDNEY & MELBOURNE via Manila.

Husimi Maru Wednesday, 26th Feb.

SAIGON

• Dakar Maru Sunday, 23rd Feb.
(Cargo accepted for Saigon)
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Anyo Maru Saturday, 1st Mar.
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• Nagato Maru Saturday, 22nd Feb.
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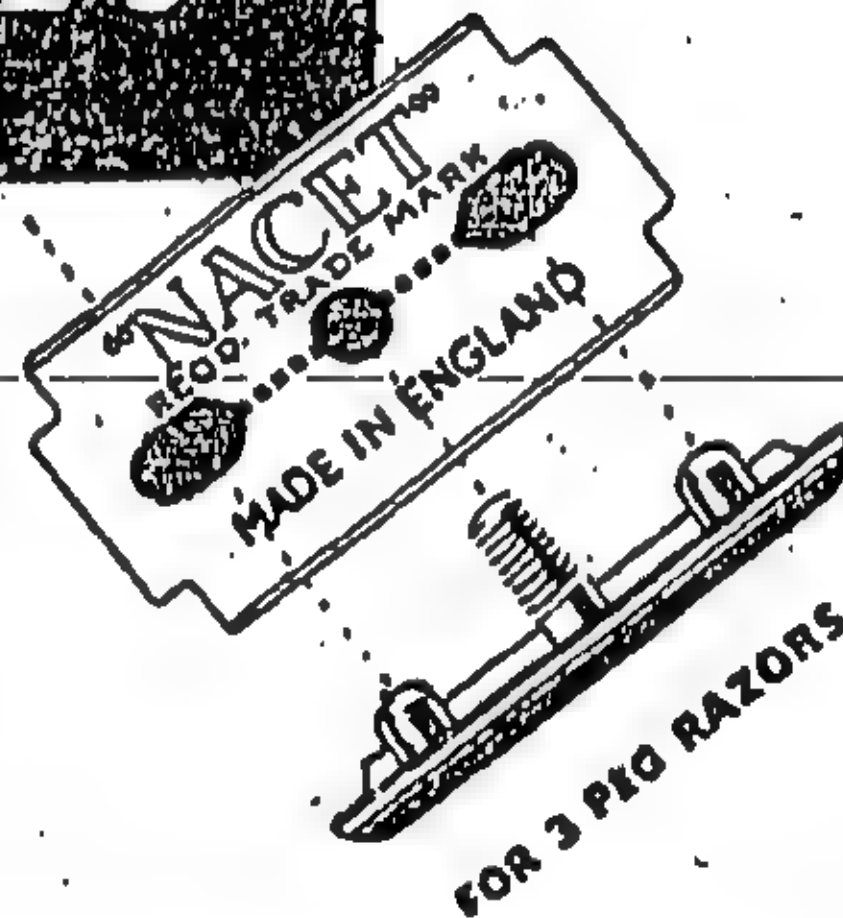
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The
Hongkong Telegraph

Thursday, February 20, 1941.

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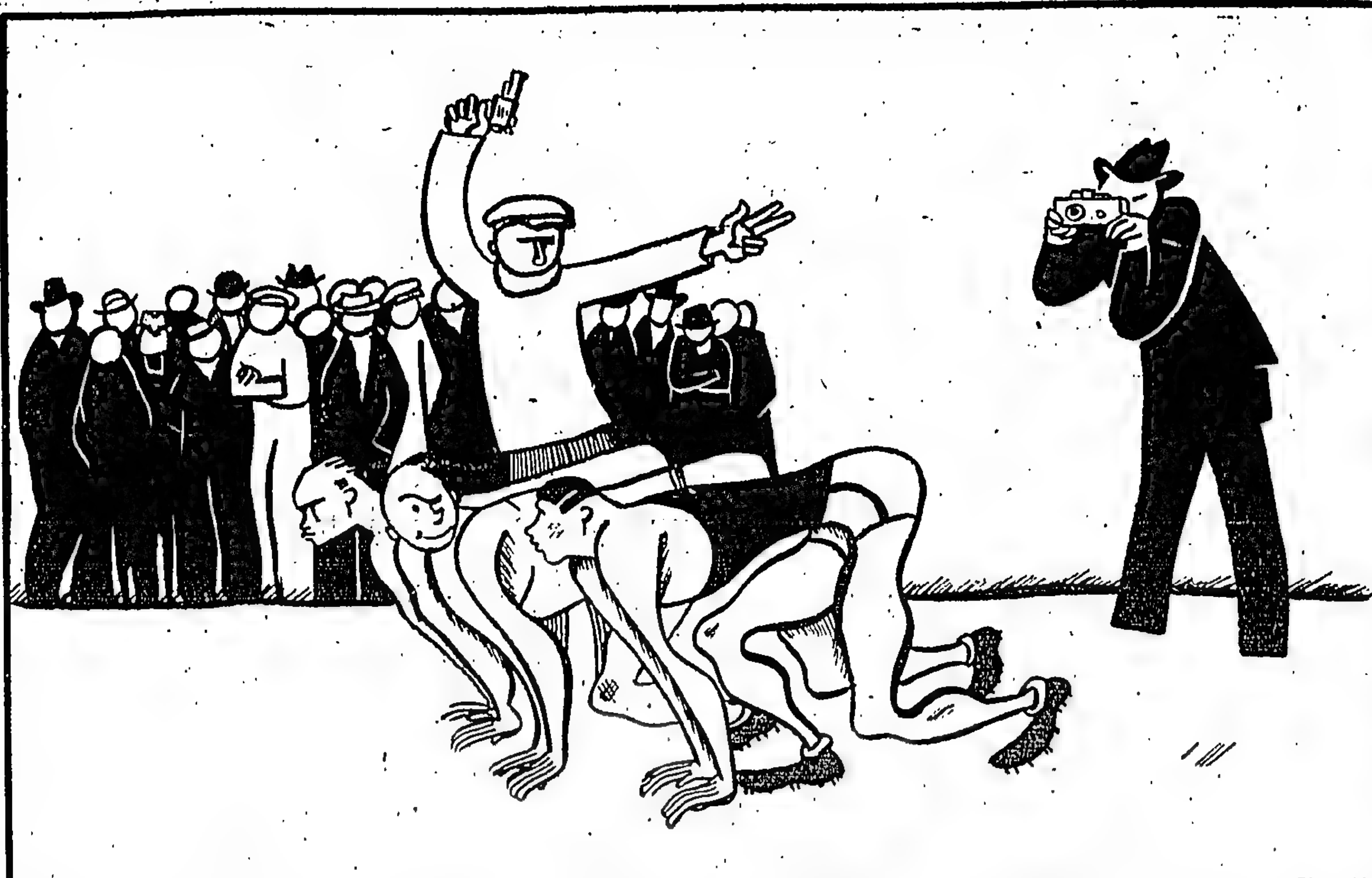
DEEDS AS WELL AS WORDS

TWO events were reported by cable yesterday which can be calculated to make a substantial contribution towards dispelling the tension which has grown to such proportions in this part of the world. One was the announcement that Mr Shigemitsu, the Japanese Ambassador to London, had shared a long conversation with Mr R. A. Butler, during which the Ambassador gave an assurance that Japanese does not intend to attack either British or Dutch territory in the Pacific; the other was the arrival in Singapore of thousands of Australian troops, fully equipped with the most modern war materials, who are to remain in Malaya with other British and Indian forces for the purpose of defending the States against any attack which might be launched.

Both Mr Shigemitsu's statement and the arrival of Australian reinforcements indicates a realistic attitude by Japan and the British Empire, to the situation in the Far East, and both events are heartily welcome. Furthermore, there must be taken into consideration Mr Butler's ridicule of the suggestion that the disposition of British armed forces in Malaya in any way denoted intentions of aggression; that statement was scarcely necessary. Britain does not seek in this part of the world anything more than the maintenance of the status quo as provided for in a number of international treaties. This has been so explicitly declared and revealed that no nation can be in any two minds about it. To suggest otherwise is a deliberate distortion of clear facts and knowledge. Japan, in particular, can accept this without qualms, and the cause of so much of the political tension and worry in the Orient would evaporate if Mr Shigemitsu's declaration could be accepted with the same assurance.

Very pointedly Mr Sumner Welles observed this week that the United States prefers deeds to words by Japanese spokesmen when it comes to a question of international relations. In the

THOSE SPRINTERS



After all, we are lucky that the war stopped the Olympic Games, otherwise the Italians would be winning all the races!

By CLIVE TURNBULL

Hongkong is Gay
in face of
Far East ThreatsTHE rest of the world
is wrong about
Hongkong.

According to popular impressions it ought to be a womanless storm-centre, evacuated by its feminine population, and looking constantly to the threat of trouble in the Far East.

It is not in the least like that. This remarkable island, where incredible wealth contrasts with the bare subsistence level of many of the 1,500,000 odd Chinese who make up the constantly changing non-European population, is to-day one of the gayest places in the world. There is nothing in Australia like the scene at the Hongkong Hotel's dinner-dances. Hundreds of smartly dressed people who through them might be 10,000 miles from war and the rumours of war. And there are plenty of pretty girls as partners for civilians, the sailors, the soldiers.

If you say, "What are all these women doing here?" your resident will shrug his shoulders. Their presence is one of the mysteries of Hongkong to-day; theoretically at least, they are engaged in some essential national service, but those people whose wives have been sent away are inclined to be bitter about what they consider to be unfair discrimination.

Every able-bodied man in Hongkong is serving in the local defence corps, or in some other capacity, and there is obvious evidence of military preparation. But this does not affect the life of the community. There are still 500 ponies in the magnificent stables of the Hongkong Jockey Club, and arrangements

Pacific, implying, and rightly so, that words have become rather cheap and in more cases than one, meaningless. Undoubtedly Japan has manoeuvred herself into a delicate position in the Far East, but there is still plenty of opportunity to free herself from the shackles and to avoid plunging the Pacific into the maelstrom of war. The right kind of deeds, as well as the right kind of words, are needed.

The author is the representative of the Australian Associated Press in the Far East. The accompanying article, which appeared in the Sydney Morning Telegraph, is interesting for its observations on wartime Hongkong and its people.

This great financial institution is the summit of British economic power in the Far East. Its reserve funds alone total £6,500,000 sterling.

Sir Vandeleur Grayburn would be a dominant personality in any community; in British affairs in the East his word probably counts more than that of any other civilian.

Nor is he worrying about the future of Hongkong.

More than British wealth abounds in Hongkong. Every one on the island is familiar with the magnificent dwellings of Mr Eu Tong Sen.

Mr Eu, an elderly and urbane Chinese gentleman, is reputedly one of the richest men in the Empire, if not in the world. The source of his fabulous possessions is the tin mines of Malaya. And there are other Chinese residents whose wealth is counted in millions.

It is not pretended that the Sino-Japanese affair has not had a profound influence upon British trade; but there are compensations, and an idle American statement that "grass is growing in the streets of Hongkong" is absurd.

Basis of British power and British wealth in the Far East, Hongkong is a centre of remarkable people.

The most influential Briton in the Far East is Sir Vandeleur Grayburn, chief manager of the Hongkong and Shanghai Banking Corporation, the vast modern skyscraper of which dominates Hongkong's waterfront. In Hongkong they speak simply of "the bank," as Londoners do when they mean the Bank of England; and it has something of the same significance.

Hongkong, now a focal point of surpassed magnificence—the rival of money and power, was nothing a Sydney and Rio among the stupendous hundred years ago. Its developmentous vistas of the world.

was given enormous impetus by its use as a place of shipment for Chinese coolies to Australia in the gold rushes of the 'fifties—those same Chinese who, when entry was denied them at the ports, were landed at Robe, in South Australia, and smuggled overland to the diggings.

To-day the dwellers on the Peak, which rises behind Hongkong's business section, look down on a fine modern city, substantially built, an admirable example of colonial development. Kowloon, on the mainland, is a rapidly growing centre, predominantly Chinese.

Here are the wharves and, not far away, the Hongkong Whampoa Dockyard. One of the principal shareholders in the dock company is Mr S. T. Williamson, a New Zealand with Australian associations, and a leading business man of the Far East.

The dockyard thinks nothing of an order for a 10,000-ton ship, and can build up to 20,000. Here I saw Australian steel being made into Empire ships by Scottish experts and Chinese craftsmen. The ore that is mined in South Australia, the steel that comes from the furnaces of Newcastle have many destinies, but few, perhaps, more interesting than this.

Beyond Kowloon the road runs into the hills of the leased territory, rugged and for the most part poorly timbered, with an occasional rice-growing valley. Here, in favoured places, are country houses with delightful views over an undulating countryside, or a busy busy with Chinese craft.

The British railway runs from Kowloon to Taipo and there, at present, the service ends. Once, they say, you could take a train at Kowloon and travel to Calais. The "affair" has put an end to all that, and lines of Chinese rolling stock stand idle and bleaching in the sun.

Beyond rise the ranges of China. Nature has given Hongkong much, but with some things she has not been liberal. Water supply has been a problem at times. Soil on the island is exceedingly poor. The Peak has a fair growth of vegetation only because there are strict prohibitions against cutting timber.

"Food must be largely imported; there has been criticism of the Government's rice policy, for rice is the staple diet of the Chinese population.

Against eventualities, practice blackouts are held and other measures are taken in Hongkong. But, ordinarily, Hongkong is fully illuminated. Look down from the harbour, and you see a night of unnumbered lights. The rival of Sydney and Rio among the stupendous hundred years ago. Its developmentous vistas of the world.

DEBATE ON HONGKONG'S BUDGET FOR THE 1941-42 FINANCIAL YEAR

MR LO CRITICISES WAR TAXATION, FOOD CONTROL AND IMMIGRATION

The Hon. Mr M. K. Lo, dealing at length with the budget speech, expressed appreciation of the granting of financial aid to charitable and medical relief to China, and then went on to make an exhaustive study of the war taxation returns, concluding with a criticism of the administration of the Ordinance. He also expressed regret that it was proposed to increase death duties.

The text of Mr Lo's speech follows.

Your Excellency: I have very little to say on the Budget now before this Council, which represents the result of the deliberations of the Select Committee to which the Draft Estimates were referred.

It is a matter for regret that certain desirable items have had to be deleted from the Draft Estimates. But, in view of the budgetary position and the uncertainty of the immediate economic position, the Officials have deemed such exclusions wise in the circumstances.

I personally regret that, owing to the general financial situation, the long-promised rebuilding of Queen's College has once more to be deferred.

My colleagues and I recently made representations to Government as to the imperative necessity of budgeting for a substantial amount in the then coming Estimates, to be allocated entirely to anti-tuberculosis measures and equipment. We felt strongly that much of the already heavy, though necessary, expenditure on the medical side would not be of much avail if the problem of tuberculosis, entailing such widespread illness, distress and mortality, were to be left untouched. Government has replied to the effect that it has been decided to defer a decision on this matter until the return to the Colony of Sir Geoffrey Northcote. I hope that before long something will be done in this regard.

I must say I am glad Government has budgeted \$150,000 for the establishment of an experimental agricultural station in the New Territories, and I hope that the result of the experiment to be made in regard to the disposal of night-soil in the New Territories, for which \$50,000 has been budgeted, will prove satisfactory.

I observe that the actual revenue for 1938 exceeded the estimated revenue by nearly 6½ million; that the actual revenue for 1939 exceeded the estimated revenue by over 5½ million; and that the revised estimate of revenue for 15 months in respect of 1940/41 exceeded the original estimate by over 16 million. I can only hope that the current estimated revenue may happily prove to err in the same direction for the current year, so that funds may be available for so many important projects and social services.

In the Budget Debate held on November 9, 1939 I renewed, for the third successive year, a plea that Government might be kind enough to make a substantial grant for providing charitable and medical relief to the Chinese on account of the Sino-Japanese conflict. I am indeed happy that the Select Committee, with the unanimous approval of the Unofficial Members, has agreed to put in, under Head 5 Charitable Services, a donation of \$10,000 to the British Fund for the Relief of Distress in China, Hongkong and South



HON. MR M. K. LO.

China Branch. I feel sure, Sir, that this gesture will be very much appreciated by the Chinese, and my colleagues and I tender our sincere thanks to Your Excellency.

Sir, in the extremely able and lucid speech of my Honourable friend the Financial Secretary, in introducing the Budget, there were certain observations on the War Revenue Ordinance with which I must deal. But, before doing so, may I say how much impressed I have been by the way in which he has carried out his onerous duties as Financial Secretary during the difficult and turbulent times through which the Colony has passed since the departure of his distinguished predecessor? I venture to say that the frankness and candour with which he has always treated the Unofficial Members of this Council, and the courage, ability and devotion to the financial interests of the Colony, which characterise all his official actions, have won their united confidence, admiration and respect.

Now, to return to the Honourable the Financial Secretary's observations.

The Honourable the Financial Secretary, in his Budget speech on January 16, 1941, quoted some remarks he had made when he introduced the War Revenue Bill in this Council in March of the preceding year. These remarks I can

only describe as damning the Ordinance with faint praise. He proceeded to say that Government felt "in view of the change in the financial position and the situation disclosed by the actual receipts from the four War Taxes that the principles on which the taxation was based should be reconsidered."

Now, what are the facts? After one of the bitterest controversies which the Colony has ever known, the Bill was introduced to this Council on March 14, 1940 with the unanimous general approval of this Council. The statements published from time to time in the Press as having been made by the War Revenue Department that the levying of the taxes was proceeding smoothly would appear to point to the gratifying fact that the hope expressed by the War Revenue Committee, and re-echoed in this Council, that there should be no attempt at evasion in view of the purpose for which the proceeds of the taxes were to be used, has been fulfilled.

Although the yield under this Ordinance was originally estimated to be six million, the revised estimate yield is nearly ten million (which, incidentally, is the amount of the estimated yield for the full Income Tax Bill), and this in spite of the fact that it is universally accepted that the yield of a tax of this kind can never be brought to full fruition during the first few years.

Personally I should have thought that such an unexpected and gratifying result of a measure which had received such striking unanimity of support in this Council would have merited an acknowledgment from Government more gracious and fitting than the strictures which the Honourable the Financial Secretary felt bound once more to pass on it. The Honourable the Financial Secretary observed that far be it from him "to seek to resuscitate a controversy which is dead and buried." I am entirely with him in this attitude. But may I remind Honourable Members of certain facts and circumstances in regard to the introduction of the War Revenue Ordinance?

On December 4, 1939, Mr Caine addressed a letter to each member of the Committee, in which he stated:

"I enclose some 'suggestions' for a draft report of the Income Tax Committee. I am not circulating them as an official Committee document because they represent what I hope the Committee will be prepared to agree to rather than what has so far been agreed. In view, however, of my approaching departure I thought it might be helpful to put my own ideas on paper."

Let me, then, quote from certain relevant paragraphs of his report:—"We examined a great many suggestions... We rejected, either unanimously or by substantial majorities, by far the greater number of these proposals because they either did not fulfil the conditions laid down by our terms of reference or would yield revenue too small to justify their imposition."

The best alternative means of imposing taxes of approximately the same incidence as the proposed Income Tax appeared to be a combination of taxes assessed on property, on salaries and analogous incomes and on business profits made in the Colony on bases and at rates calculated to impose very broadly the same degree of sacrifice on the several classes of persons affected. Such a combination of taxes would constitute a partial income tax, covering much the greater part of the income which would be liable to a full income tax but freed of many complications owing to its being partial in scope and only approximately adjusted to individual ability to pay. In particular, much of the enquiry into personal circumstances which is apprehended from the administration of income tax should be avoided."

Mr Caine's Estimate

"It is if anything more difficult to assess the probable annual yield of these taxes than that of an income tax, but the estimate of Mr S. Caine, then Financial Secretary, was as follows:—

Corporation Profits Tax) \$ 3,000,000

Business " ") \$ 1,000,000

Salaries Tax " ") \$ 2,000,000

Property Tax " ") \$ 2,000,000

Total " ") \$ 8,000,000

In comparing this with the estimate of \$10,000,000 from a full income tax it should be remembered that (a) Income subject to United Kingdom Income Tax is almost entirely exempted under the new Bill. Several important companies are thus outside its scope altogether.

(b) Profits tax will be applied only to profits made in Hongkong, whereas income tax would have applied to all profits of resident persons, including companies registered here, wherever made.

(c) Other income from abroad will not be taxed at all under the new Bill.

It was, however, repeatedly emphasized by the official representatives on the Committee that Government was not seeking to raise any

particular sum of money but to impose a reasonable burden of taxation and to consider that the rates of tax proposed do impose such a reasonable burden."

"8. We therefore recommend that Government should proceed with measures on the lines of the attached Bill. If the revenue obtained is inadequate consideration should be given to the adoption of some or all of the items referred to at the beginning of paragraph 7."

In a note prepared by Mr Caine on "Principal differences between the 'War Revenue Bill' and the 'Income Tax Bill'" he states:—"1. General. An Income Tax seeks to tax every source of each individual's income and to make allowances for his family responsibilities and other individual circumstances. Although much may be collected at the source it is ultimately an individual tax and may entail much enquiry into personal affairs."

The new Bill proposes to take each of the main classes of income separately and tax them at rates adjusted only approximately to capacity to pay. At some sacrifice of the refinements of an income tax it thus avoids many problems which arise in the administration of those refinements and removes some of the features of income tax which are objectionable to the public."

Without Misgivings

Such, Sir, were the views of Mr Caine. He had made it plain that he was in favour of a straight income tax measure. But he himself was the author of the Ordinance now in force, and he put it forth as a compromise measure without any misgivings as to there being any inequity in its incidence.

The Honourable the Financial Secretary said: "Although the War Revenue Ordinance has secured considerably more revenue than was anticipated it has failed to secure enough to meet the revised war expenditure either in the current year or in 1941/42."

Putting here I should like to point out that the position he now takes up is fundamentally opposite to that taken up by Government hitherto. As I pointed out in this Council on March 14, 1940, His Excellency Sir Geoffrey Northcote, in his speech in this Council on November 16, 1939, made it quite clear that Government did not determine to raise war budget revenue in any particular way. In other words, the Government's attitude was that as regards war expenditure, that expenditure was to be limited to the sum obtainable by the War Revenue Ordinance, and not that the Colony had to find a specified amount.

The Financial Secretary points out that according to the revised estimate salary tax will bring in \$1,000,000 as was anticipated; property tax \$2,000,000 as against \$2,000,000 as was anticipated; whilst corporation and business tax should bring in \$6,000,000 as against \$3,000,000 anticipated. But he adds, as regards the latter item: "This figure includes not less than \$5,500,000 in respect of corporation profits and only \$500,000 in respect of business profits, which is disappointingly small."

Not Surprised

Sir, this is the whole case for suggesting that the principles on which taxation is based should be reconsidered. I can see no ground for surprise that the business profits tax should yield something just under one million, as against the unexpectedly larger yield of corporation profits. Mr Caine never attempted anything more than a guess of the combined yield of the corporation and business profits tax, for the simple reason that there were no accurate data available. Nor can I see how the yield of the taxes as above indicated can afford any evidence that the incidence is not spread fairly over the community. It may well be that, in order to produce more revenue, some alterations will have to be made in the Ordinance. As I do not wish to anticipate in any way the findings of the Committee which Your Excellency has constituted I abstain from further comment.

Serious Criticism

I regret that I now come to a point of serious criticism against the administration of the War Revenue Ordinance. In the Report of Mr Caine, to which I have referred, he made it quite plain that "Partnerships will be assessed as a whole and no enquiry whatever will be necessary into the division of profits between partners." The Honourable the Financial Secretary himself, in introducing this Bill in March 1940, said:

"The third and fourth taxes are respectively a corporation profits tax... and a business profits tax on profits made in the Colony... which is levied on the business and not on individual persons so that no enquiry as to the ownership of the business and the division of the profits is involved. There is, in the circumstances, no deduction in respect of personal and family allowances."

In spite of the history of this matter, and of the official declarations to which I have referred, I am sorry to have to state openly in this Council



HON. MR S. H. DODWELL

that examiners have sought to get Chinese firms to disclose the names of the partners constituting the firms. I should have thought it impossible that any Government official would proceed counter to one of the fundamental bases of the taxation, and I look to the Honourable the Financial Secretary, as the Commissioner under the War Revenue Ordinance, to see to it that his subordinate officers do carry out completely the spirit of the framers of the legislation, in accordance with the solemn declarations of Government.

Death Duties

The Honourable the Financial Secretary has intimated that Government proposes to increase the Death Duties. I appreciate that Honourable Members will have an opportunity of discussing this question when the necessary amending Bill is before this Council. But in the meantime I wish to make a few general observations.

The Report of the Taxation Committee published as Sessional Paper No. 2 (1939) contained the following observation on the question of Death Duties:—

"Any further revenue under this head should be obtained by an increase in the rates of Estate Duty rather than by the introduction of other methods of taxing property on death, e.g. Legacy or Succession Duties; but we consider the present rates, which were fairly recently increased to a maximum of 20%, high enough in the circumstances of Hongkong, where the much higher rates prevailing in, e.g., the United Kingdom, would add greatly to the incentive of evasion."

That report was dated April 5, 1939, and I am not aware of circumstances which have arisen between then and now which render that deliberate expression of view no longer sound.

As to how far evasion of death duties exists I do not feel competent to speak. But of this I am quite certain. If evasion could be prevented by zeal and vigilance, it would have been effectively stopped by now, because I can imagine no person possessing greater zeal and exercising greater vigilance, than the present holder of the office of Superintendent of Inland Revenue and Estate Duty Commissioner, for whom, if he will allow me to say so, I hold a high regard. Indeed, I go further and say that it is the deliberate view of the legal profession as a whole that the zeal and vigilance exhibited by this conscientious officer have been so excessive in many cases as to occasion unjustifiable delay, inconvenience and expense to bona fide applicants for legal representation.

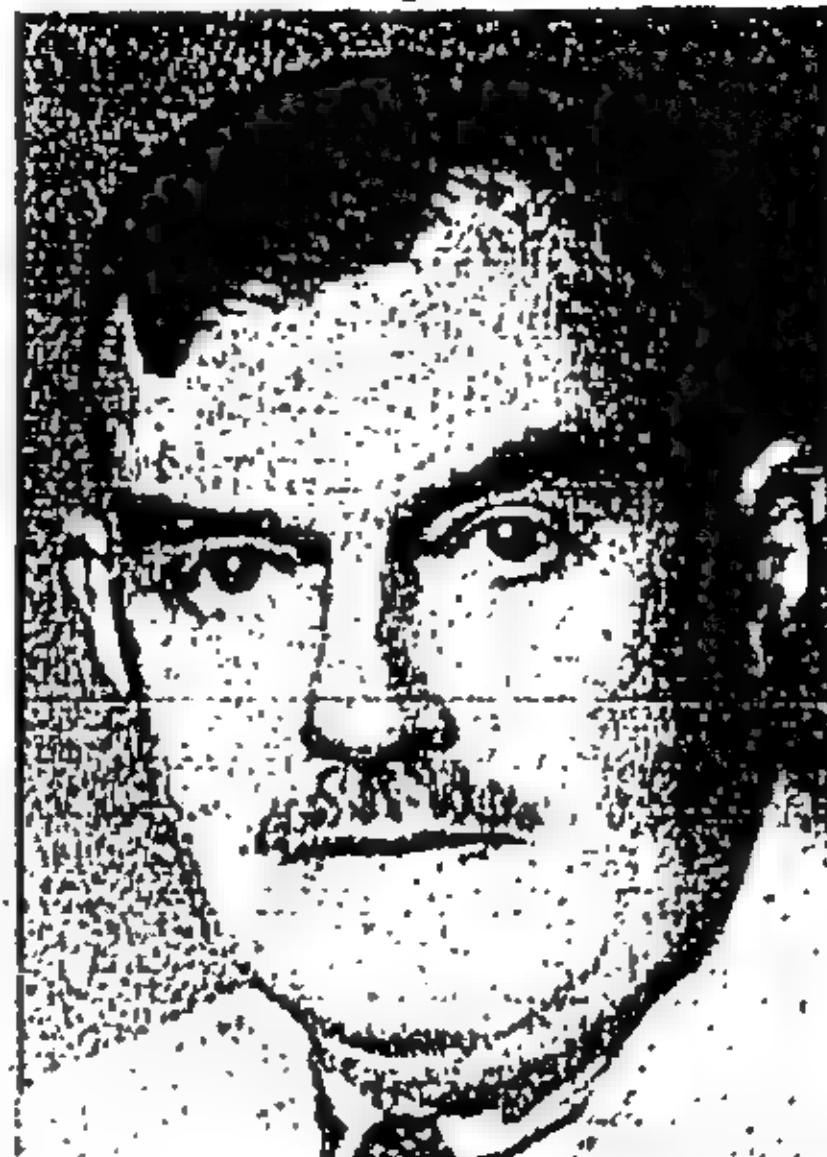
The powers conferred on the Estate Duty Commissioner for investigating every estate are necessarily wide. But I suggest that in vestigating such great powers regard should be had to the presence or absence of grounds for suspicion of evasion of duty, and that under normal circumstances the Estate Duty Commissioner should not attempt to reopen and resuscitate matters adjudicated upon a long time ago.

It should be well known to Government that family inheritance has always constituted a very important part of Chinese family life, and I do submit that excessive rates of levy, undue delay in obtaining legal representation, and harsh administration of the Estate Duty Ordinance, all constitute great incentive to evasion. Sir, the Unofficial Members of this Council, as well as the Chinese Members of Councils, have had occasion to make various representations to Government on certain aspects of Government Administration during the past year. Pending their final outcome I feel it my duty to make a few general observations.

Food Control

To begin with I wish to say a few words on the question of Food Control.

The task of a Food Controller is obviously one of very great difficulty, and due allowance must be made for the fact that many things would have to be done in a hurry. I submit that the indispensable qualification of any Food Controller must be some commercial knowledge and experience, and, however well qualified in the theory of economics and conscientious in the discharge of his duties, the present Food Controller has had no commercial experience. The record of his administration has not inspired confidence that in an emergency all will be well as regards the question of food supply, and I record in this Council my grave doubt as to his ability in turning over certain re-



HON. MR J. J. PATERSON

serve food stocks—though the quantities purchased are infinitesimal to the quantities originally proposed—without serious losses resulting. We know that the Food Controller has now delegated his powers in regard to rice to a business man more conversant with the subject.

Firewood

I come now to the question of Firewood.

I understand that Government has at long last taken, or is taking, definite steps for the importation of firewood into the Colony. The Chinese Members of Councils had urged Government to take such a step even before His Excellency Sir Geoffrey Northcote left the Colony on leave. On August 3, 1940 a memorandum on this question was sent in to Government, wherein it was urged that Government should requisition steamers for the purpose of importing firewood into Hongkong. I feel that the Chinese community has every reason to be dissatisfied with Government's inactivity over such a lengthy period, in relieving the acute shortage of firewood, which has caused so much hardship to the community, especially the poor.

Another matter, Sir, which has given rise to grave dissatisfaction, is the administration of the Immigration Ordinance. When I spoke in this Council on the Second Reading of that Bill I thought that the effect of this measure on the Colony depended very largely on how it would be administered by the Immigration Officer, and I then stated that my colleagues and I intended to maintain a close interest in the operation of this measure, and that we should have no hesitation in making to Government any representations which we might consider it our duty so to do.

Cannot Acquiesce

I know that the Immigration Officer has not spared himself in the discharge of his very difficult duties. But I do say that whatever may be the explanation, the Chinese community cannot be expected to acquiesce in the continued administration of a measure which compels people to wait for long hours outside the Immigration Office, herded together like cattle, in order to get a permit or to get back a deposit.

Apart from the question of administrative machinery there have been numerous complaints of sheer rudeness and offensive conduct on the part of the officers of this Department. Civil Servants should be civil servants, and I suggest that it embodies a wholesome admonition to which Civil Servants in Hongkong should pay serious heed. A most unfavourable impression has already been created on visitors to the Colony. And I do seriously appeal to officers of the Immigration Department to remember that they are being paid by local taxpayers to perform their duties and not to show off their own importance.

Sir, I do say deliberately that either the administration of the Immigration measure is radically improved, and I submit that it can, and should, be improved, or that measure should be dropped altogether.

Tribute To H.E.

Sir, you have assumed the administration of this Colony during a period which is one of the most critical periods of the British Empire. It is not surprising that the difficulty of the situation should have its repercussions on the Colony. The Chinese community gratefully appreciates your concern and labour for the well-being and security of the Colony, as exemplified by your initiative in providing the population with air raid shelters, in the construction of which you have taken such a keen personal interest. Since your arrival in the Colony the Chinese Members of Councils have had to make numerous representations to Your Excellency, and on their behalf, and also on my own, I desire to tender to Your Excellency an expression of our deep gratitude for the sympathetic manner in which you have invariably received those representations, and your ever-ready desire to give effect to them as far as possible.

May I, Sir, also tender our thanks to the Honourable the Colonial Secretary for the invariable courtesy which he has shown to the Unofficial Members. My colleagues and I desire to pay warm tribute to him for the conspicuous ability which he has shown as Your Excellency's chief adviser, which is such a well known characteristic of our esteemed Colonial Secretary.

Continued on Page 6

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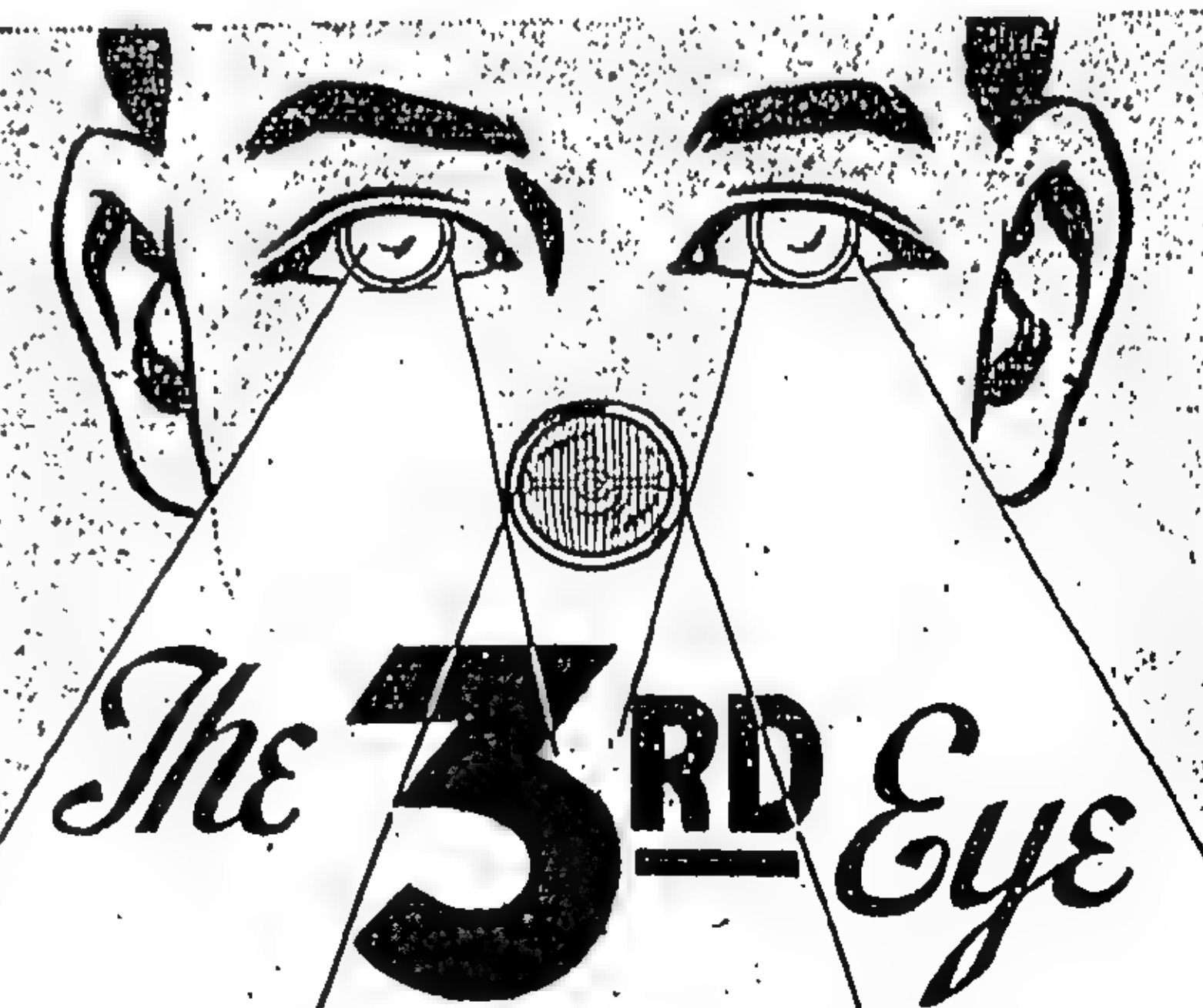
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UNOFFICIALS' COMMENDATION AND CONDEMNATION OF NEXT YEAR'S BUDGET

OUTSPOKEN COMMENTS BY MR D'ALMADA ABOUT MANNER IN WHICH IMMIGRATION DEPT IS RUN

Satisfaction in the budget insofar as it affected Kowloon residents was expressed by the Hon. Mr Leo d'Almada, Jun., who appreciated that provision was made resurfacing roads, a new public mortuary and disinfecting station, and the promise of a new police station, as well as an agricultural station in the New Territories.

However, Mr d'Almada found reason to complain of the late start made in A.R.P. work, the lack of tact in handling the evacuation, and the manner in which the Immigration Department was functioning. He spoke of incivility and inefficiency.

The Hon. Mr Leo d'Almada, Jun., said:

Your Excellency.—From the point of view of a Kowloon resident there is much in this Budget that is gratifying. There is generous provision for resurfacing our roads, work which is long overdue; a new public mortuary and disinfecting station is budgeted for; the promise of a police station for Kowloon Tong raises a hope that that district and the Prince Edward Road area will enjoy some measure of pure protection in the near future; and an agricultural station in the New Territories shows that here again Government is at last paying some heed to those who have constantly advocated the development of our resources for food production.

It is regrettable that the Unofficials in Select Committee have thought it expedient in the light of the present situation and of the Colony's finances to curtail to some extent the proposed public works expenditure both on the mainland and in Hongkong, but the majority will agree that in so doing the Committee has followed the dictates of common sense and prudence.

This is all I have to say on the Budget. Our annual Budget debate, however, has long been regarded as the proper occasion for the ventilation of grievances and complaints, and of these I have a few.

I do not know what Government feels about its last twelve months' administration in this Colony. In my opinion, apart from revenue, there is little room for complacency, much less for congratulation.

Some Criticism
I will mention only three matters as to which Government has laid itself open to criticism.

First, a very late start was made to provide air raid shelters.

Next, a most lamentable lack of tact was displayed in the handling of evacuation. Government has already been severely censured for this by the public, and I mention it here only because it should be included in any debate which involves the review of the past year's policy and activities.

Some months ago, it was deemed advisable to establish a department for the control of immigration. Here again, it appears to have been thought necessary for, if I remember rightly, in advertising for immigration officers Government made it clear that these posts were open only to British subjects of pure European descent. Now, Sir, this might possibly have been excusable if these were positions of comparative importance or of a specialized nature, but this is not so.

Immigration officers have been recruited from every walk of life, and the fact that they are paid only \$400 a month is another indication that the job is not one calling for any alleged superiority of blood or intelligence. More than once have I advocated that Government should draw no artificial distinctions between its employees. But I suppose the policy is so ingrained that only where it is impracticable to pursue it will Government reluctantly adopt another.

Inefficiency And Incivility
If this constant discrimination were productive of something of value, for example, it made for a high standard of efficiency, there might be something to be said for it. However, it is far from true as Government administration brought to its attention by Unofficials and through other sources. My honorable friend, Mr M. K. Lo has already dealt with the inefficiency and incivility to be met with in the Immigration Department. Complaints with regard to the excesses so far as inefficiency is concerned will doubtless be the plea that this is a newly created department with a heavy volume of work to cope with. Whether this is a valid excuse can only be ascertained on inquiry; and it is no answer to the charge of incivility.

Complaints of a more serious nature have been made against this and other departments and I do not think I am exaggerating when I say that if more is not heard, it is because the people of Hongkong are so enured to the many failings of Government that they have come to regard them almost as part and parcel of the system, to be borne with resignation.

There is perhaps one other reason why one does not hear more. The Press is the usual vent for public feeling, but newspapers being subject to our very strict laws of libel, in such a case as this, are not naturally careful, sometimes over-cautious, as to what they publish. Sir, were these laws relaxed, and were there any assurance that the airing of complaints, and charges which were not mere groundless and wicked rumours, would result in something being done, the correspondence columns of our dailies would be full of the most interesting disclosures and revelations. As things are, one cannot expect this, but to-day there are few people in Hong-

Mr Shields Suggests Freighters Instead Of Admiralty Ships

The Hon. Mr A. L. Shields expressed doubt about the wisdom of setting aside \$1,700,000 for the purpose of building Admiralty ships, pointing out that it was possible we should be celebrating a glorious victory before they could be constructed, whereas freighters were needed at the moment.

The Hon. Mr A. L. Shields said:

Your Excellency.—In the Budget now before us we have the estimated revenue of \$56,786,000, the highest on record, but, nevertheless, the estimated deficit is \$3,856,715, a matter of grave concern for this Council and the Public.

There are, however, some rays of hope in this gloomy picture, first that the recent and very necessary War Expenditure may be reduced and finally disappear, second that actual Revenue for the past three years has greatly exceeded the forecast and also the very heavy expense for emergency food reserves has been written off and should not prove to be a total loss.

I wish to thank your Excellency for agreeing to omit or reduce several items of expenditure in the draft Estimates as suggested by the Unofficial Members of this Council sitting in Select Committee.

New Police Headquarters

I refer particularly to the proposed new Block at Police Headquarters at \$800,000 which can probably be built for considerably less when the cost of building materials comes down to normal. This question of cost of building also applies to the proposed Infectious Diseases Hospital at \$1,000,000 of which it was proposed to provide \$500,000 in 1941/2 leaving a liability of \$1,400,000 on an uncompleted building for the following year with a contract placed at present high prices.

Income Tax Bogey
The Hon. Financial Secretary's remarks, when introducing the Budget, raising the bogey of Income Tax came as a shock after the agreements reached last year.

War Taxation Revenue exceeded the estimated figure and the Finance Committee voted all supplementary expenditure for Defence. The Budget since its introduction has come within sight of being balanced.

If further War expenditure is required this Colony will not grudge it, but let it be raised within the framework of the existing Tax Scheme by revising the rates of tax.

The War Taxation Committee has been reconstituted under the pretext of an unbalanced Budget and we can only await the result of its deliberations but I believe any proposal to introduce Income Tax for ordinary revenue purposes will meet with the more opposition than did the suggested Income Tax to find money to assist in the prosecution of the War.

The items of expenditure which have been cut in the Estimates now before us might well have been pushed through if we had Income Tax, by the simple expedient of increasing the rate. In spite of the wish of the Secretary of State for the Colonies that development, social services, etc., should not be curtailed in war time we have to face hard facts.

We must keep a tight rein on expenditure by Government Departments on their pet schemes which may endanger the solvency of the Colony at a time when we need some dollars in the till and some unexpended sources of taxation to meet further calls for defence and I hope offence.

The lack of support for the last Government Loan should be a warning. The Public is deeply concerned over the high cost of Government, Finance, etc., and about the carefree way in which Government spends its money.

Costly Experiment
I understand that at least one of my colleagues will speak on the subject of nightsoil removal being undertaken by a Government Department at a cost of \$384,000 for cooless only.

Long who either do not know or have not heard reports of matters which have already reached even Government's remote ears, and which cry for investigation. Stories are circulating regarding the maladministration in departments whose importance is vital at the present time; it is the common belief that bribery and graft are rife, and the head of a department has been credited with the practice of nepotism in its ugliest form.

Such a state of affairs one has grown accustomed to associate with some Latin or Balkan States, with what justification I care not. That it should be permitted to exist in the Government of a British Colony is surely matter calling for the most searching inquiry. I suggest, Sir, that Government emulate the dictators in one regard, and take measures to purge its ranks.

Mr Lo Criticises

(Continued from Page 5.)

My colleagues on this Council desire me to state that they wish to associate themselves with the tributes I have paid, and the views I have expressed. In due course the Honourable Mr Tam will speak on the question of removal of night-soil and the prevailing lawlessness and insecurity of the Colony, and the Honourable Mr Li will speak on emergency education. I desire to express my concurrence with their views on these subjects.

Fully realising the true character of the struggle now being waged by Britain and her Empire, the Chinese in the Colony have willingly and, indeed, enthusiastically co-operated with Government in all measures necessary to carry out in furthering Britain's war effort, whether by responding to the calls made for service in the Volunteer Corps, Police Reserve, A.R.P., Fire Auxiliary Service, St John, etc., or in other directions. In view of their deeds I trust, Sir, that it is not necessary for me to pledge to you once more the willing continuance of this co-operation.

Using Idle Money
So far as Government is concerned, no loss has been incurred. Government is only making use of its idle money; and the restoration of its cash position is gradually assured by yearly redemption of the bonds from funds which are allocated for that purpose out of revenue.

Incidentally in this connection, provision has been made, under Head 22 of the Draft Estimates, as a charge on account of Public Debt, for the payment of a sum of \$404,300 as interest on this particular loan.

There is no doubt that, as Government is the holder of more than half of the loan, over two-thirds of that interest will be payable to Government itself; but nowhere is mention made of this attractive sum on the income side, a perfect example of

MR TAM SAYS ESTIMATES ARE EXCESSIVELY GLOOMY

The Hon. Mr Thomas Tam made pointed reference to the manner in which Government funds were being allowed to remain idle, and complained that the Estimates were exclusively gloomy and displayed ultra-prudence.

He also attacked the working of the Immigration Department and expressed doubts about the proposed new night-soil scheme. He suggested an alternative scheme.

The Hon. Member also called for more strenuous efforts in the prevention of crime and gambling in the Colony, complaining that at the present it was necessary for everyone to sleep behind bars in order to protect themselves.

The Hon. Mr W. N. Thomas Tam said:

Your Excellency.—The Hon. Financial Secretary, in his speech introducing the Budget, stressed the advisability of steering a middle course between ultra-conservatism and radical change. With this "golden mean of practicality," it is difficult to disagree; but while the Hon. Financial Secretary has adopted this praiseworthy policy in deciding what matters he would follow no such middle course when it comes to estimating Revenue and Expenditure.

In his estimates of our income, ultra-conservatism is observable; while, as regards expenditure, he exhibits the quintessence of pessimism. Extreme caution aside, he is not to be content with including under expenditure for one year, items which are meant to provide for a longer period but to go further and put away a few hidden reserves.

Two Examples

I do not propose to go into great detail here, as the points in justification of my statement have already been raised by my colleagues and myself in the Select Committee to which the Draft Estimates were referred. I venture to give two examples.

The Hon. Financial Secretary, in his Revised Estimates for the period extending from January 1, 1940 to March 31, 1941, a period of fifteen months, gives the figure for Ordinary Revenue, that is, apart from War Taxation, as \$57,300,000. Using this figure as a basis for calculation and existing state of prosperity, a factor on which the Hon. Financial Secretary himself relies, the proportion for twelve months would be \$45,840,000. This amount, although three lakhs larger, would seem a first glance to approximate to the actual figure of \$45,530,000, which has been given as the prospective Ordinary Revenue for the twelve months commencing from April 1, 1941 and ending on March 31, 1942; but it must be remembered that the former figure of \$45,840,000 does not take into full account the increase in petrol, spirit and other duties which have operated for only a portion of the fifteen months and more particularly the increase in postage rates introduced as recently as the first day of this month.

Conservative Estimate

My submission therefore is that if these increases in taxation had been included for the whole of the fifteen months, the revenue for that period would have been immeasurably higher; the difference between the figure obtained by using that revenue as a basis and the figure given by the Hon. Financial Secretary as a forecast would then be accentuated and the conservative nature of his estimate would be clearly demonstrated.

In this connection, it may be noted that the Hon. Financial Secretary in his latest statement, gives a Revised Estimated Revenue of \$56,786,000, which includes War Taxation and new or additional duties; but as I have not maintained that these new duties should be included in the fifteen month period for the purpose of comparison, my remarks remain unaffected.

1934 Dollar Loan

In summarising the financial position of the Colony, the Hon. Financial Secretary deplored the fact that when the second instalment of the 1934 Dollar Loan was floated last June, it was necessary for Government itself to take up \$5,700,000, namely, more than half of the total, and that cash was obtained only to the extent of \$5,640,000.

Far from being a cause for dissatisfaction, it appears to me to be a cause for congratulation that the finances of the Colony should be in that happy state whereby it could finance itself out of its surplus balances. The voicing of dissatisfaction, if any, must surely apply to the local money market and more particularly to the local taxpayer, that he should be obsessed by such difficulties as to render his response to an attractive form of investment on favourable terms, so meagre.

Using Idle Money

So far as Government is concerned, no loss has been incurred. Government is only making use of its idle money; and the restoration of its cash position is gradually assured by yearly redemption of the bonds from funds which are allocated for that purpose out of revenue.

Incidentally in this connection, provision has been made, under Head 22 of the Draft Estimates, as a charge on account of Public Debt, for the payment of a sum of \$404,300 as interest on this particular loan.

There is no doubt that, as Government is the holder of more than half of the loan, over two-thirds of that interest will be payable to Government itself; but nowhere is mention made of this attractive sum on the income side, a perfect example of



Hon. Mr W. N. Thomas Tam

what I have referred to as hidden reserves.

Excessive Gloom

In the ordinary course of events little criticism would be levelled at a Budget drawn on these lines, as it is sound policy for the guardian of the public purse to be prudent; but while the public is understandable, it is not to be content with including under expenditure for one year, items which are meant to provide for a longer period but to go further and put away a few hidden reserves.

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ties which must be encountered in setting up a new department with the wide ramifications involved, in the short time assigned and perhaps with an insufficiency of staff and office space. The public would not mind the delay and would be prepared to co-operate by suffering reasonable inconvenience, provided it is satisfied that the department is doing its best and is itself sympathetic towards the hardships of the public; but the complaint is that far from being helpful, the officials of that department have shown nothing but inactivity and the result is the creation of considerable resentment on the part of the public, which is now clamouring for satisfaction.

In fairness to the head of the department, I must qualify what I have said by stressing that whenever I have been deputed by my colleagues to see him, I have found him not only most affable and considerate but ready to meet any suggestions which we might have submitted.

Collection Of Nightsoil
Perhaps the most controversial of the items which are now appearing for the first time in the Budget is the provision for a scheme, known as departmental collection, whereby Government will employ coolies, some 2,000 in number, for the removal of nightsoil, the cost of the project to be met by an increase of one per cent in the rates. My Chinese colleagues and I learn with deep satisfaction that it has been decided by Government that this scheme should stand over until further consideration has been given to the matter and that Government will refrain from expenditure without the consent of the Finance Committee.

This decision is, in our opinion, a wise one.

We venture to suggest that, before committing itself, Government should examine carefully and find out exactly what are the impracticable and advantages attached to the departmental collection. All of us realise that the present system is far from satisfactory. We would welcome a change for the better; but how is the proposed system a better one? Surely not because some 2,000 coolies, hitherto free-lances, would thereby become Government servants. Judging by the manner of representation which have been made, the coolies themselves do not appear to show any enthusiasm.

Average Tenant's View
From the point-of-view of public health how can it be said to be progress when the same old method and the same old set of coolies are employed? In fact, so far as the average tenant is concerned, he would prefer to deal with the cable worker for himself, who in all likelihood would be a far humbler individual than the same coolie working in the role of a Government servant. At least, now, when a tenant has a complaint to make, he goes to a neutral party; but with departmental collection, he will be faced with the task of laying a complaint before the head of a Government department, against one of his subordinate officers, two totally different propositions.

It appears to me that there is some confusion of thought as regards the issues involved. While improved transport or improved buckets would represent an improvement in the method of collection and will be beneficial, the change in the status of the coolie is unimportant and is not a condition precedent to the setting up of inadequate supervision.

Alternative Suggested
As an alternative and a more satisfactory solution, I submit that the Urban Council should license the existing coolies or a number of foremen to provide coolies; that the Council should take a deposit from them and see that they carry out their duties properly; any delinquency to be punishable by fine, the payment of which will be guaranteed by the deposit suggested, with the cancellation of licence in cases of grave or repeated offence. We would most respectfully urge Government to try this alternative solution before embarking on a scheme of departmental collection.

Further, I have been informed that the present coolies, through their guilds, have petitioned Government expressing their readiness to introduce improvements in transport and in receptacles and to meet any requirements which Government may stipulate. It therefore does not appear that Government should have any reason to be apprehensive of a lack of progress.

Expenditure Not Justified
Finally, even if it could be shown, which many of us doubt, that it would be to the best interest of the Colony that departmental collection should be adopted, it nevertheless still remains for Government to be satisfied that the use of public money is necessary, particularly where further taxation is involved.

The people who have recourse to the present system have never refused to pay. Take the poorer classes,

whom it is intended to benefit. In their case there will be no relief; as we know, most of them are merely sub-tenants and it will only mean that the principal tenant, who makes a business out of sub-letting will spare a legitimate expense and will derive a bigger profit thereby; while on the other hand, tenants of property with a water carriage system will be penalised by higher rates.

Can this be said to be an encouragement, to the general introduction of water closets, or is it not rather an inducement to cling to the old antiquated system?

Water Closets And Drains
Government has attempted to justify the use of public money by claiming that it is through the use of public money that an obvious fallacy in this argument. Firstly, the drains are there whether water closets use them or not, they serve to carry away storm and sullage water and secondly, drains alone do not make a water closet system; whereas Government in cases where the owners of property have not thought fit to install water closets, will be assuming the whole cost of a system which takes the place of but is far less satisfactory than a water carriage system.

Vice And Crime
I now come to a matter which affects the good name of the Colony and with which my fellow Chinese members have asked me specially to deal. Many a resident, alarmed by the serious prevalence of crime and vice, has repeatedly approached us to press Government for more energetic action. We on our part have made repeated representations to Government, sometimes as the result of specific requests from members of our community but more often than not on our own initiative. The position is now getting from bad to worse.

We know that the Hon. Commissioner of Police is doing all he can; but we feel that something more must be done.

The suppression of gambling, particularly of "Tse Fa" lotteries, which are fast becoming an open scandal, the eradication of open soliciting in the streets, the piecing of a check on the activities of girl escort bureaux, the prevention of robbery and larceny, especially petty thieving and snatching in the streets form the list which we have been asked to bring to the attention of Government.

Must Sleep Behind Bars
The stories of the existence of lands where one may sleep with one's front door open and not be robbed; where one may leave a parcel in a tramcar and have it returned the next day, seem to us fantastic and fill us with wonder and envy. It is sad to think that we in Hongkong must sleep behind iron grilles and bolted shutters and yet not be free from depredation. No one is respected, be he magistrate or policeman, be he tipster or ordinary shopkeeper. Nothing is free from fleecing. It may be only a plank from a staircase, a hook for fastening a window or a short length of wiring, the saleable value of which is infinitesimal though the replacement cost be high. As for motor cars, fountain pens and ear rings, these are stolen, or picked from the pocket, or snatched in open-day lines.

If all crime were the result of poverty, the search for a cure, difficult though it may be, is not impossible; but if a gambler steals to get stake money and a dope fiend to satiate his desire, the matter becomes far more complex.

Immensity Of Problem
We realise the immensity of the problem confronting us. Apart from the question of arrest, which is a police matter, no permanent solution can be found without taking into account the provision of adequate prison accommodation, the creation of decent employment and the introduction of general education. The higher the ethical standard of the people, the less there is of crime; and it is by going to fundamentals that it can be hoped to efface all the sores with which this Colony is beset.

The lessening of the masses takes time; but there is no need to remind Government of the urgency of the problem. Next to the prevention of invasion from without, is the prevention of lawlessness and disorder from within.

We therefore trust that Government will undertake its just responsibilities and will make more serious and more strenuous efforts to stamp out crime. We owe it to the innocent and the law-abiding to remove from them a constant fear of a growing concern, for lawlessness and insecurity.

Essential Commodities
Finally, I would like to draw the attention of Government to the necessity of maintaining a low price for the three commodities which the Chinese community considers essential for life, namely, rice, firewood and peanut oil. I know from information which has been furnished to me as a member of the Finance Committee that considerable steps have been taken as regards the first two; but it is my earnest hope that more will be done in the near future; while as regards peanut-oil, may I suggest that it should also receive consideration.

In conclusion, I wish to associate myself with the tributes which my Senior Chinese colleague has paid your Excellency; for I can from my own experience humbly testify that whenever representations have been made to you, Sir, as head of the Government, Your Excellency has never failed to receive us with courtesy and sympathy; and if I may be permitted I should like to take advantage of this opportunity to add my own expression of gratitude.

NANCY



Ethiopians Co-operate In Capture of Dargila

KHARTOUM, Feb. 19 (Reuter).—Dargila, 40 miles south-west of Lake Tana, the fall of which was briefly reported yesterday, strategically controls the whole of Gogjam province and the Italians had stationed there a Blackshirt division with other white troops though it is doubtful whether these troops were there when the town fell.

The abandonment of the town on Monday was the result of guerilla pressure during the past few weeks by Haile Selassie's patriots, led by a British officer. They on occasions approached within a few feet of the town's strong defences.

Five days of close attacks followed. As the final blow was struck, co-operation with the R.A.F. and messages received from the planes enabled the patriots to capture some members of the garrison as they left during the bombardment. The remainder of the garrison, retreating to the north-east towards Bahdar Giorgis, a town on the southern point of Lake Tana, were harried by a small Abyssinian force.

Edge of Plateau
Dargila stands on the edge of the northern escarpment of the Abyssinian plateau, 7,000 feet up, at the junction of the old caravan routes to Addis Ababa from Gakbat on the Sudan border and from Rosieres on the Blue Nile in Anglo-Egyptian Sudan. The population is small but since Italian occupation roads have been built along the caravan routes, facilitating an exchange of local products, wheat, barley and coffee with goods from other centres.

Women Also Fighting
LONDON, Feb. 19 (Reuter).—Some Abyssinian women are fighting alongside their menfolk in the ranks of the Abyssinian patriots. This was revealed to-night by Princess Tahal, daughter of Haile Selassie, in a broadcast speech. Princess Tahal, who appealed for gifts of clothing for the Abyssinian fighters, has lived in Britain for five years in exile. She announced that she hoped shortly to join an ambulance unit which is leaving for Abyssinia under the leadership of an Australian surgeon.

In Somaliland
NAIROBI, Feb. 19 (Reuter).—Increasing British pressure on the lines of the river Juba in Somaliland is announced in a communique here to-night. The communique says that the enemy counter-attacked and

Australia Does Not Invite War

MELBOURNE, Feb. 19 (Reuter).—Government had taken added precautions against a sudden emergency after reviewing Australia's defence system, said the Acting Prime Minister, Mr A. W. Fadden, in a speech here to-day.

No action would be taken and no word spoken, he said, which would shatter peace in the Pacific. "If war comes to our front door, it will not be of our choosing. Let nobody think that we are helpless and unfitted for such a supreme test."

Knudsen On Strikes

Defence Work Unimpaired

SPECIAL TO THE "TELEGRAPH".
WASHINGTON, Feb. 20 (UP).—The Director of the Emergency Management Board, Mr William Knudsen, testifying before the House Judiciary Committee to-day asserted that strikes had not delayed the defence programme.

He said that events proceeding the collapse of France indicated that "over-all legislation on wages and working conditions was not desirable."

18 Strikes On Now

SPECIAL TO THE "TELEGRAPH".
NEW YORK, Feb. 20 (UP).—There are 18 strikes in defence industries throughout the nation at present effecting 22,000 workers and Government orders valued at \$85,000,000 the largest of which is Allis Chalmers plant in Milwaukee where the production of \$40,000,000 worth of trucks and tanks has been delayed since February 2.

Mr Menzies

LONDON, Feb. 20 (UP).—Mr R. C. Menzies, the Australian Premier, accompanied by his aides, arrived here to-day from North Africa, en route to London.

No Satisfaction Yet On The Tangier Issue

LONDON, Feb. 19 (Reuter).—The Anglo-Spanish negotiations over Tangier are still hanging fire.

The Under-Secretary for Foreign Affairs told questioners in the House of Commons to-day that he regretted that he was still not in a position to make a final statement.

The Labour Member, Mr F. Cocks, asked whether the Spanish pledge that the neutrality of Tangier carried an assurance that Tangier would not be used as a base for operations against French Morocco.

Mr Butler, on behalf of Mr Eden, refused to accept the implications which appeared in that query.

The Liberal Member, Mr Geoffrey Le Mander, asked: "What is holding up a settlement in view of the fact that many weeks, if not months ago, unilateral action was taken in abuse of British rights? Is it not time that we got some satisfaction?"

Mr Butler said that Mr Mander's view was shared by the Government and added that the Spanish Foreign Minister had been away from Madrid and that accounted partly for the delay.

Mr Eden had already said that negotiations had been proceeding satisfactorily.

India's Railways Yield Big Profit

NEW DELHI, Feb. 19 (Reuter).—An unprecedented large surplus of nearly £11,000,000 (exceeding by over £7½ millions the previous year's surplus) is revealed in the railway budget for 1940-41. In presenting the budget the Government spokesman said that traffic connected with the war effort was the predominant factor and, furthermore, 305 miles of railway had been dismantled during the year for the purposes of economy.

All available skilled labour, material and machine tools required for war work, particularly munitions, and many workshops were now entirely employed in war work.

FOR WAR AREA

Overseas Chinese To Visit Chungking
CHUNGKING, Feb. 20 (Central News).—Mr Aw Boon-haw, Chinese magnate of Singapore, Mr Li Sing-ku, well-known Chinese leader in Hongkong and several other overseas Chinese leaders are coming to Chungking shortly to investigate industrial conditions in the interior.

The Commission on Overseas Affairs, the Ministry of Social Welfare, the Chungking Municipal Government and other government organisations concerned are making preparations to welcome them.

Foreign Idle Shipping May Be Taken Over By Americas

Special to the "Telegraph"

WASHINGTON, Feb. 20 (UP).—Maritime circles understand that a deal has been nearly consummated whereby about 60 idle Danish and other vessels will come under the jurisdiction of the American flag as an important aid to British shipping.

They will be used largely in the Pacific thereby releasing British tonnage for service in the Atlantic. The deal affects 40 Danish ships in America and 20 others in Latin American ports.

The owners of American Lines previously opposed the deal alleging that it would constitute dangerous competition but it is understood routes could be worked out under which there would be no important conflict with the existing American Line routes.

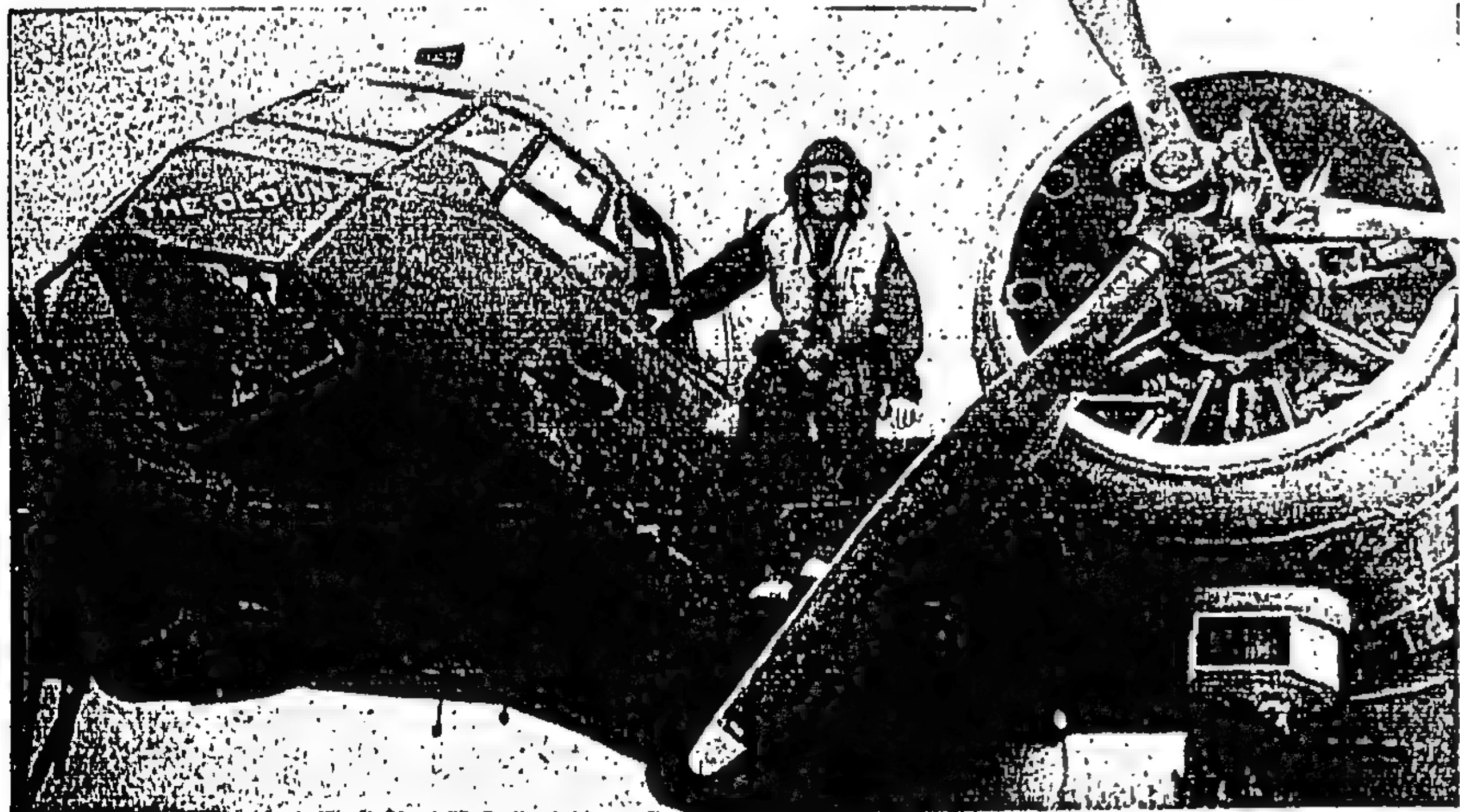
Argentine Interest
BUENOS AIRES, Feb. 20 (UP).—It is reported that the Ministries of Foreign Affairs and Agriculture are studying the possible expropriation of neutral ships now taking refuge in Argentine ports.

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TO-MORROW at the
KING'S THEATRE

UNOFFICIAL MEMBERS DEBATE HONGKONG'S FINANCIAL ESTIMATES FOR COMING YEAR

MR LI TSE-FONG WANTS TO SEE COLONY'S BIG FINANCIAL RESERVES USED FOR THE WAR EFFORT

An important feature of the Hon. Mr Li Tse-fong's speech was his reference to the big financial reserves which Hongkong now boasted and his suggestion that now was the time to make use of them. He suggested that a portion of the reserves might be set aside for the cost of the proposed building of two ships to be presented to the Admiralty, and the remainder to be used for carrying on defensive works in the Colony.

The Hon. Mr Li Tse-fong also covered other general matters, including war taxation, night soil, education, and the Immigration Department.

The Hon. Mr Li Tse-fong said: Your Excellency.—The Hon. Financial Secretary in his speech on January 10, 1941, reviewing the financial position of the Colony, stressed the point that although the revised estimate anticipates a surplus of \$17,213,670 at the end of the present financial year this surplus is largely a nominal one. The Financial Secretary explained that out of this surplus of \$17,213,670, a sum of \$13,400,000 will be invested in the end of next year, while the balance of \$3,813,670 will be used for the purpose of carrying on the work of the Government.



Hon. Mr Li Tse-fong

Strong Financial Position

According to the financial statement published by Government on February 5, 1941, the Colony had a surplus at the end of October, 1940, of more than \$21,000,000 which was a sum of over \$18,000,000 in cash and a sum of over \$3,000,000 in investments.

If this Colony were a corporation I would certainly congratulate those in charge of its affairs on its very strong financial position. But as a Government it is open to criticism. It may be criticised that either it has failed to carry out its duties fully or that it has not developed fully its social functions or that it has not made revenue from the people by way of taxation.

Fundamentally Wrong

I mention this not because I wish to suggest that the estimated deficit for the next financial year should be met by drawing on the surplus as I hope that they will be not necessary to do so. But I believe that this policy of accumulating surplus is fundamentally wrong.

Time To Use Surplus

It may be said in favour of this policy that the object of maintaining a surplus is to have a reserve in case of emergency. If that was the intention, I think the present moment is the proper time to make use of such surplus. A portion of it may be set aside for the cost of the proposed building of two ships to be presented to the Admiralty and War Department and the remainder can be used for carrying on defensive works in the Colony. If Government were to agree to this course, there would be no deficit in next year's budget and no necessity to curtail its social services. Indeed all social services can be further expanded with revenue coming in from ordinary sources.

General Policy

I will now pass on to make some general remarks on the estimates for the next financial year. The figures in the estimates have been carefully considered and closely scrutinised by the Select Committee of the Colony and I will confine my remarks to the general policy in connection with them.

Before I offer my views I wish to state that I am in general agreement with the remarks made by my Senior Chinese Colleagues in regard to the War Revenue Ordinance, and Death Duties and his criticism of the working of the Food Control Department and the Immigration Department.

- (1) To increase the existing rates under the present War Revenue Ordinance.
- (2) To amend the present War Revenue Ordinance.
- (3) To impose a "proper" Income Tax.

War Revenue Ordinance

I do not intend to deal with these suggestions to-day but I wish to state that, as far as revenue is concerned, the operation of the War Revenue Ordinance appears to be highly satisfactory.

I gather from the Financial Secretary that he is quite satisfied with the yield of the Property Tax, the Salaries Tax and the Corporation Tax. Indeed Corporation Tax alone is expected to bring in no less than \$5,000,000 against an estimated return of \$6,000,000 from the four taxes imposed by the War Revenue Ordinance. As far as I can see the Financial Secretary's main disappointment is in connection with the yield of the return from Profit Tax, which is expected to produce a revenue of \$800,000 only. It should, however, be remembered that the War Revenue Ordinance has only been in operation for less than a year and that a tax of this nature generally takes some time before it can be effective.

Scope Of Tax

It is quite true that businesses include all non-corporation firms and professional men who do not pay Salaries Tax, but it must not be overlooked that the majority of these non-corporation firms consist mainly of small shopkeepers whose capital, as a rule, is small. If there were obvious evasion and unfair incidence, I venture to think that the remedy is to amend the War Revenue Ordinance.

Your Excellency has already reconstituted the War Revenue Committee in order that the Committee may re-examine and advise Government on the existing measures of war taxation in the light of the Colony's present financial position and the actual receipts from the four taxes imposed by the War Revenue Ordinance. It is the task of this Committee to find some practical solution and to give Government advice as to the best means of raising revenue to meet war expenditure under prevailing conditions. It will therefore abstain from making further comments.

Nightsoil And U.C.

With regard to the provisions for the daily collection of nightsoil to be undertaken by Government I understand that such provisions would not be carried out if there were no sign of any improvement in the Colony's finance. I do not think that it is quite correct to say that the Urban Council, of which I am a member, has definitely suggested to Government to put an increase of one per cent on rates in order to meet expenditures on this undertaking. As a matter of fact when this matter was brought up for consideration, the question of finance had not been discussed. I consider that it is not fair to place the entire burden on property owners without regard to the fact that some of the tenements have water flush systems. I wish to point out that this responsibility of daily collection of nightsoil, if undertaken by Government, is a service rendered to a particular class of the community and that class should pay for it.

My Chinese colleague, Hon. Mr Tam has spoken very fully on this subject. While I agree that the scheme sponsored by the Urban Council is an improvement, I feel that unless Government is in a position to carry out that scheme in full, the alternative method mentioned by Mr Tam in dealing with the existing system appears to be a practical one.

Education Subsidy

In the matter of education I welcome the provision for a new subsidy code for vernacular schools which makes generous provisions for subsidies to schools on the basis of approved expenditures on salaries of teachers and rent of school buildings.

As a member of the Board of Education I firmly believe that in the educational system of this Colony it is Chinese primary education which urgently needs development. At the present time the development of Chinese primary education is left almost entirely in the hands of private enterprises and I do not think that a satisfactory system can be achieved without Government taking a leading part in its development. I venture to think that the Government that as soon as the financial position permits, it should proceed with the programme for the development of Chinese primary education.

Not Extravagant

The programme has been carefully considered by the Board of Education and submitted to Government by the Director of Education with the full and unanimous support of its members. I venture to think that the programme is not an extravagant one and does not call for heavy expenditure which will be spread over a number of years.

I consider that, of all expenditures on social services, expenditure on Chinese primary education should deserve first consideration. If we were able to prevent, by providing proper education, a large number of young people from falling into the criminal class, it would relieve this Colony from other heavy burdens such as an increased Police force.

Emergency Step

With regard to the recently established Immigration Department I wish to make the following observations. I believe that the imposition of restriction on free immigration was a new departure from the well-established policy of the Colony to keep this place open to the Chinese. I must say that restriction of this kind is quite a common practice in other parts of the world but with this Colony's close relationship with China, such a step can only be considered as an emergency measure forced upon us by prevailing circumstances.

I realise that many of the social evils prevailing in the Colony are closely connected with this difficult problem of excessive population and I have, therefore, no hesitation in agreeing that some sort of restriction on the growing population is, at the present time, desirable. I presume that it was on economic grounds that Government had been advised to introduce this measure.

When this measure of immigration control was brought before this Council for consideration last November, the Government assured us that "the Immigration Department is to be administered in the interest of passengers and all shipping generally and not to cause any obstruction or inconvenience that can be possibly avoided." In spite of this assurance there have been many complaints against the administration of this department.

Public And Shipping

From the general public these complaints have been mainly directed against the difficulty in obtaining the necessary forms, the unusual delay in issuing certificates and the insistence that photographs must be taken by "approved" firms. From the shipping concerns they have been connected with the undue delay in the examination of passengers' papers and the failure to post immigration officers on board ships to facilitate such examination.

The Chinese member on the Executive Council as well as my two Chinese colleagues on this Council and I, have found it necessary to address a joint communication to the Hon. Colonial Secretary in regard to some of these complaints and in our opinion there are urgent needs for reform in the method of conducting this department. I may add that the attitude of those in charge of this department towards the general public is not at all helpful.

Food Control

On the question of Food Control, I wish to urge Government to pay the closest attention to the recent rise in the cost of living in the Colony, particularly of rice and firewood. These are the two daily necessities of the Chinese Community. The rise in the prices of these two commodities is a serious matter for the Chinese, particularly the middle and poor classes, and I consider that Government should take vigorous measures to combat the evil. With regard to rice I know that measures have been taken and are being taken by Government to check the abnormal rise in the price of this commodity at the end of 1940. While I recognise that such measures have, to a certain extent, met with success, I feel that Government should now review the whole situation carefully with the object of securing an effective control over the rice stock in the Colony both in regard to quality as well as quantity. There has been a report that some of the stocks are of such a poor quality that they are not fit for human consumption.

Firewood Profiteers

The position of firewood in the domestic life of the Chinese community is second in importance to that of rice. The situation has gone from bad to worse during the last few months. This might have been caused by seasonal demands such as the Chinese New Year but I have no doubt that it has been aggravated by the activities of unscrupulous profiteers. It has been proved that the cost of firewood imported into Hongkong including freight and all landing charges is far below the prevailing market price demanded by exorbitant dealers. I understand that Government are now taking measures to relieve the present situation and I believe that such measures will meet with success.

PETROL RATIONING WARNING

Resolutions Moved

Moving resolutions giving effect to the new duties on petrol, heavy oils, table waters and liquor, the Hon. Financial Secretary, Mr H. R. Butters said, at the meeting of the Legislative Council this morning:

Sir,—I rise to move the resolution standing in my name. The duty on light oils, that is on petrol, was increased, by His Excellency's order, to 80 cents per gallon on November 7, 1940. The object of the increase in both cases, by reducing consumption, to conserve foreign exchange and save tonnage. It is not intended as a revenue producing measure.

I am authorised by His Excellency to state for the information of Hon. Members and as a warning to the public that if this measure fails in its primary object, namely, to reduce consumption particularly in respect of private cars, the rationing of petrol may have to be introduced.

Duty On Oils

The increase in the duty on heavy oils to be used as fuel for heavy oil road vehicles from 30 to 40 cents per gallon and the imposition of a duty of 10 cents per gallon on other hydrocarbon oils hitherto untaxed, with effect in both cases from January 10, 1941, are, as indicated in my speech to this Council on that day, revenue producing measures.

Liquor

This further resolution gives effect to the increases in liquor duties which were announced in this Council on January 10, 1941, and which were put into immediate effect by His Excellency's order.

Table Waters

This further resolution gives effect to the imposition of a duty on table waters which was announced in this Council on January 10, 1941, and which was put into immediate effect by His Excellency's order.

MIDDLE EAST ACTIVITIES

Raids By R.A.F.

CAIRO, Feb. 19 (Reuters).—Fierce activity by the R.A.F. and South African Air Force was the feature of to-day's campaign which states that aerodromes on the Dodecanese Islands were raided by R.A.F. bombers on the nights of February 10, 17, and 18.

Also during the last two days the R.A.F. maintained concentrated attacks on enemy positions in the Tepelini area in support of the ground forces.

Enemy troop concentrations in two villages to the north of Tepelini and military buildings were heavily bombed.

Continued support has been given to the British troops on various fronts in Italian East Africa. Several raids were carried out on Keren.

New Zealanders' Generous Gifts

LONDON, Feb. 19 (British Wireless).—Mr Thomas Baker, a New Zealand resident in the Straits Settlements, is the first to purchase the right to name a Forward Light.

His latest gift of £10,000 brings his total contribution to the Aircraft Fund to £30,000. Mr Baker, who is 64 years old and owns rubber plantations and tin mines in Malaya and New Zealand, was the founder in the last war of Australian and Malayan battle plane squadrons numbering 94 machines.

mainly is second in importance to that of rice. The situation has gone from bad to worse during the last few months. This might have been caused by seasonal demands such as the Chinese New Year but I have no doubt that it has been aggravated by the activities of unscrupulous profiteers. It has been proved that the cost of firewood imported into Hongkong including freight and all landing charges is far below the prevailing market price demanded by exorbitant dealers. I understand that Government are now taking measures to relieve the present situation and I believe that such measures will meet with success.

Before I resume my seat I wish to say how regrettable it is that we have found it necessary to cut down a good deal of Public Works Extraordinary not so much from a desire to balance the budget but in an effort to conserve, although in a very small way, much needed foreign currency and tonnage for the successful prosecution of the War.

I realise that the tendency to-day is for Government to play a more pronounced part in the social and economic life of the community and to shoulder increased responsibilities and additional duties. I hope that with the return of peace it will be possible for this Colony to go forward with such increased responsibilities and additional duties.

Colonial Secretary Moves Revised Budget Resolution

The Colonial Secretary, Hon. Mr N. L. Smith, presiding at the Legislative Council meeting this morning, moved a resolution giving authorisation to the

Hon. Mr Smith

The Hon. Colonial Secretary said: Gentlemen,—I rise to propose the motion standing in my name.

On January 10, 1941, by a Resolution of this Council the draft estimates of expenditure for 1941-42 were referred to a Select Committee consisting of myself, the Financial Secretary and all Unofficial Members of this Council. We now present our report in the form of the amended print bearing to-day's date.

As foreshadowed in the speech of the Hon. Financial Secretary on January 10 the provision for the construction of a new Lighthouse Tender has been excised. It has also been decided not to proceed during the coming financial year with the building of the proposed new block of offices and quarters at the Central Police Station, though a token vote of \$50,000 remains in the draft estimates to cover any expenditure that may have been incurred in the preparatory work of drawing up plans, etc.

Items Added
The following are the items which have been added:—

Head, 5, Charitable Services.—Sub-head 23, Grant to British Fund for the Relief of Distress in China \$10,000.

Head 17, Miscellaneous Services.—Sub-head 24, University of Hongkong \$100,000 (increased from \$355,000 to \$455,000) \$110,000

Items Reduced
The following are the items which have been omitted or reduced:—

Head 11A, Harbour Department.—Sub-head 1, Personal Emoluments. Crew for New Light-house Tender \$ 3,471

Sub-head 21, Lighthouse Tender \$ 600,000

Head 16, Medical Department.—Sub-head 68, Equipment for new Infectious Diseases Hospital \$ 103,590

Head 30, Public Works Extraordinary.—Sub-head 5, Central Police Station—New Block (Reduced from \$800,000 to \$50,000) \$ 750,000

Sub-head, 29, Infectious Diseases Hospital (Reduced from \$500,000 to \$100,000) \$ 400,000

More Revenue Anticipated
Turning to the other side of the picture, the new of additional duties on table waters, hydrocarbon oils and liquor which were imposed with effect from January 10 have necessitated a revision of the estimate of revenue: revenue from Duties will, it is now estimated, amount to \$18,690,000 instead of \$13,740,000.

The estimated deficit of \$7,537,778 shown in the draft estimates as presented on January 10 is thus reduced to \$3,256,715.

Lastly, I would remind Hon. Members that every item of Special Expenditure in all departments and every item of Public Works Extraordinary requires the independent sanction of Government apart from the general provision offered by the Appropriation Bill. Should revenue fall short of expectations or should expenditure at present unforeseen be incurred, that sanction will be withheld.

Thanks Expressed
Besides thanking, on behalf of the Government and, I think I may say, the whole Colony, the Unofficial Members for the time and labour which they gave to the preparation of the estimates in their revised form, I should like to express my particular gratitude to the Financial Secretary and to his assistant, Mr Todd.

I am very conscious of my own shortcomings in this respect but I feel sure that Hon. Members will appreciate that during the past few months it has been physically impossible to devote the time and attention that of the whole expected of a Colonial Secretary in framing the financial policy for the coming year.

British Parachutists Exercise on Moors

LONDON, Feb. 19 (Reuters).—Many generals and R.A.F. officers and their staffs, including General Sir John Dill, Chief of the Imperial General Staff, General Sir Alan Brooke, Commander-in-Chief, Home Forces, Air Marshal Sir Arthur Barratt, Air Officer Commanding-in-Chief, Army Co-operation Command of the R.A.F., and General Viscount Gort were present at parachute exercises in the moorlands, states the Air Ministry.

Over a bleak stretch of moorland, an R.A.F. troop-carrier emerged from the clouds and suddenly the officers saw parachutists dropped from it after another. Before the plane had disappeared into the cloud again, all the men had landed, unharnessed their parachutes and had silently prepared to attack a remote vital enemy objective, which was a small imaginary factory where a few high personnel and some of the most senior officers of the enemy High Command were to watch a private demonstration of a new weapon being made there.

While this was gathering, Britain's leading Army and Air Force commanders were waiting on the moor. The R.A.F. troop-carrier unobtrusively came through the clouds in bad weather, demonstrating the surprise nature of the attack.

reach a final decision on this important question and the Finance Committee desires an early opportunity of a full discussion with the Health Authorities, upon which will depend the question of authorising actual expenditure.

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Despoilation Of The Poles

LONDON, Feb. 19 (Reuters).—The Germans are steadily expropriating all Polish property and business undertakings in the principal Polish towns, "Reuters" learns from Polish circles in London.

In Nazi Poland's largest textile town, according to reports published in the local Nazi organ, 70 private banks, 4,300 factories (including all leading textile factories), 500 depots for textile, raw materials and finished goods, 8,500 shops selling hosiery, haberdashery, ready-made clothes and fancy goods and 12,000 small business firms have so far been taken over.

Over 3,000 German "special trustees" have been installed in these concerns. They receive high salaries at the expense of the former owners and shareholders.

Light Raids On U.K.

Scotland Visited

LONDON, Feb. 19 (Reuters).—Bombs were dropped at two places on the north-east coast of Scotland this morning, states the Air Ministry.

Some damage was done to buildings and there were a few casualties. A few bombs were dropped near the East Anglian coast but did little damage and nobody was seriously hurt.

Blockade Leaks

New Base Considered

SPECIAL TO THE "TELEGRAPH"—LONDON, Feb. 20 (UP).—The Ministry of Economic Warfare to-day disclosed that Britain is considering the establishment of new contraband control bases near the Americas, probably at Trinidad, to enable the British to intercept contraband ships and cargoes especially from the east coast of Latin America via Panama with goods for Russia and Japan from where they could reach Germany.

Government-Ordered British Railways
LONDON, Feb. 19 (British Wireless).—Following the pooling of the receipts of the main British railway systems from September 1, 1939, by Government order, the estimates for the year ended December 31, 1940, show the total income to have been £247,022,000 and expenditure £203,480,000, leaving a net revenue of £44,542,000. The net revenue for the full year guaranteed by the Government was £39,850,000.

N.E.I. Oil Sought By Japan

LONDON, Feb. 19 (Reuters).—The Netherlands East Indies Government has received a Japanese request to explore oil areas in the Netherlands East Indies and has indicated its willingness to specify certain areas which could be explored, according to a Japanese report.

The Dutch authorities, however, are reported to have signified their willingness on condition that Dutch observers accompany the Japanese surveyors.

New Life Movement

CHUNGKING, Feb. 19 (Central News).—Chungking observed the seventh anniversary of the New Life Movement with meetings, vocational contests, exhibitions, mass weddings, athletic competitions and special movie shows.

Mrs. Chiang Kai-shek started the anniversary observance by opening the newly-completed Loyalty Memorial Hall of the New Life, Social Service Centre.

Pacific Freight Rates Up

San Francisco, Feb. 19.

The Pacific Westbound Conference, representing 17 Pacific shipping lines, announced to-day an increase of from 10 to 15 per cent, in freight rates. The increases will be effective from either March 1 or 15 and will cover virtually every commodity.

Shipping circles declare the increases are partly due to the withdrawal of big tonnage from the Pacific and partly because of the general upward trend of operations cost and insurance.

Going freights to Hongkong announced to-day are \$12 a ton for grain, \$15 for metals, \$19 for machinery. The rates for those cargoes a month ago were \$10, \$13 and \$17.—United Press.

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3. S.S. MANHATTAN, which took American evacuees from Shanghai, ground in Florida. 4. GREEK SUCCESSES. 5. FRANKLIN D. ROOSEVELT IS INAUGURATED FOR THE THIRD TERM. 6. THE NEW 35,000 TON BRITISH BATTLESHIP "THE DUKE OF YORK", CHRISTENED BY QUEEN ELIZABETH. Etc.

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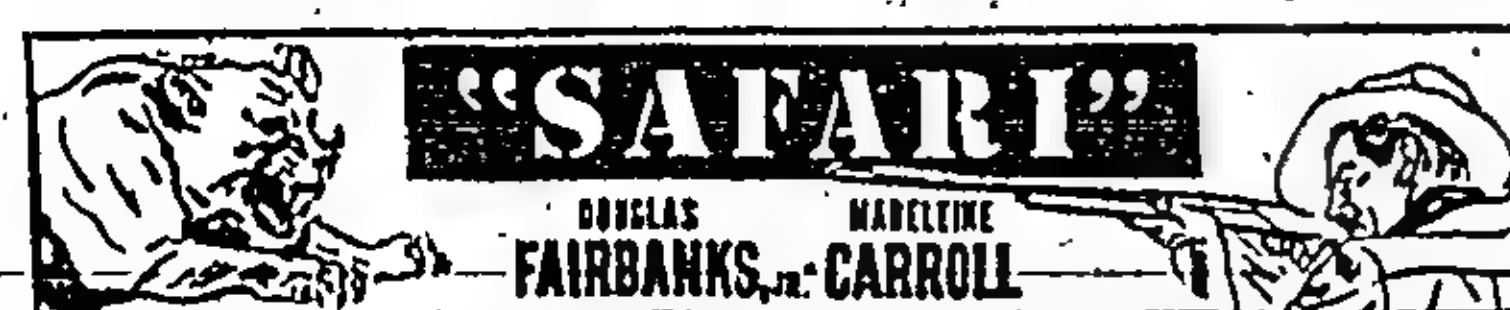


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Japan Makes Overtures To Britain

FROM PAGE ONE

pute between Indo-China and Thailand.
A Japanese official spokesman had made a statement to the press yesterday which will doubtless come to the attention of members of the House.
Mr. Eden had received from Mr. Yosuke Matsuoka, the Japanese Foreign Minister, a special message in courteous terms and on the same general lines as the statement just referred to. The terms of the communication are at present receiving due attention.

No Compromise

LONDON, Feb. 19 (Reuter).—"Britain will not entertain peace proposals until a complete victory has been gained," is the categorical reply of an authoritative quarter here commenting on the Japanese spokesman's statement that Japan is ready to mediate in any war if invited to do so.

The London authority points out that it is most interesting that the Japanese spokesman should feel called on to make such an offer adding, "The Japanese evidently do not appreciate the conditions in Europe brought about by a war started by their ally. As the British Premier emphasised over and over again, there can be no compromise."

Ad. Stark Says Tokyo Be Ignored

FROM PAGE ONE

approve the proposed expenditure of \$4,700,000 for bomb shelters to make Guam a naval aviation outpost.
An expenditure of \$8,100,000 for similar purposes at Tutuila Island in Samoa will also be approved, it is expected.

The House has also tentatively approved a section of the naval base development programme authorising the expenditure of an additional \$60,000,000 for the development of the Atlantic bases acquired from Britain. This is considered to be the first step towards Congressional ratification of the "Destroyers for Bases" deal.

Guam Project

Mr. Vinson also read a letter from Colonel Frank Knox, Secretary of the Navy, emphasising that the Guam project is "of particular importance to the Navy."

Mr. Vinson prefaced his remarks by stating that the country could rest assured that "the Navy was on tip toes ready for any emergency that they may be called to meet."

Tentative Approval

WASHINGTON, Feb. 19 (Reuter).—The House of Representatives has tentatively approved the development of Guam and Samoa as naval and aviation outposts.

Goes To Senate

WASHINGTON, Feb. 19 (Reuter).—The House of Representatives today passed the measure authorising the expenditure of \$242,000,000 on the development of naval bases. The measure now goes to the Senate.

The bases include Guam and Samoa and the Atlantic sites acquired from Britain.

Reconnaissance Flights By Nazis

FROM PAGE ONE

told the House of Commons today that some time ago, the Government had informed the Balkan countries of the necessity of forming a Balkan bloc for the purpose of maintaining independence and political integrity.
Mr. Butler did not answer when Sir Alfred Knox asked, whether or not, he could state that the Turkish-Bulgarian pact allowed the Germans to cross Bulgaria and attack Greece.

DANISH ENVOY

Leaves Chungking For Thailand Post

CHUNGKING, Feb. 20 (Central News).—Mr. Hjalmar Collin, the Danish Minister to China, who has received orders to be transferred as Danish Minister to Thailand, left yesterday afternoon for Hongkong by a C.N.A.C. plane en route to Thailand.

SENATORS FACE REALITIES

Aid U.K. or We Fall Together

WASHINGTON, Feb. 19 (Reuter).—Enactment of the Aid for Britain Bill would mean intervention in the European conflict, said Senator Bailey (North Carolina Democrat) at the third day's debate on the Bill in the Senate.

SIR J. THOM CHIEF JUSTICE

—War Hero

ALLAHABAD, Feb. 19 (Reuter).—The death is announced of Sir John Thom, Chief Justice of the High Court of Allahabad since 1937.

Lieut.-Col Sir John Thom, D.S.O., M.C., was born in 1891 and was educated at Edinburgh University, where he obtained his M.A. and LL.B. degrees, being called to the Scottish Bar in 1919 after returning from the war. He was Member of Parliament for Dumfriesshire from 1926 to 1929, and again in 1931-32. He was Puisne Judge in the High Court of Allahabad from 1932 to 1937.

Sir John served in the Lothians and Border Horse from 1908 to 1911 and commanded the 8/10th and 6th Battalions of the Gordon Highlanders in the European War. Besides winning the D.S.O. and M.C., he was mentioned in despatches four times.

He continued: "I hope that this intervention may not mean war but if it does, I am ready for it."

He declared that the Bill would give the United States a better chance for ultimate deliverance from the totalitarian world revolution.

Senator Connally of Texas, another Democrat, had opened the debate by observing that the world's democracies "must all hang together or they will hang separately."

He predicted that an attempt would be made to invade North and South America if the Axis Powers were victorious in Europe.

BURMA PLEASED

Congratulations To Leaders Of Middle East Forces

RANGOON, Feb. 19 (Reuter).—The Senate unanimously expressed satisfaction at the glorious successes of the Imperial troops in Africa and desired that the heartiest congratulations be conveyed to General Sir Archibald Wavell, Lieut.-Gen. Sir Henry Wilson and Admiral Sir Andrew Browne Cunningham.

U.S.S. Washington

WASHINGTON, Feb. 19 (Reuter).—The new United States 35,000-ton battleship, Washington, will be commissioned on May 15, six months ahead of schedule, the Navy Department announces.
The Washington's main armament consists of nine 16-inch guns.

K.C.C. Eleven

The following will represent the K.C.C., in a senior cricket league match against the Club de Recreo at Cox's Road ground on Saturday, at 2 p.m.
E. C. Fincher (capt.), N. D. Lloyd, D. J. N. Anderson, E. F. Fincher, D. Hunt, A. Zimmerman, R. E. Zimmerman, F. J. Lay, R. E. Lee, R. T. Brondridge, and N. A. E. Mackay. Umpire, J. P. Robinson; Scorer, T. W. Carr.

Nazi Defences Pierced By U. S. Shafts Of Wit

NEW YORK, Feb. 19 (Reuter).—A Nazi broadcast invitation to Americans to send "Receiver to Pay" telegrams to Berlin stating the kind of programmes they would like from Germany had an amusing sequel.

Thousands of people swamped the telephone offices, where extra staffs were needed. The messages to Berlin were sarcastic and sometimes downright anti-Nazi.

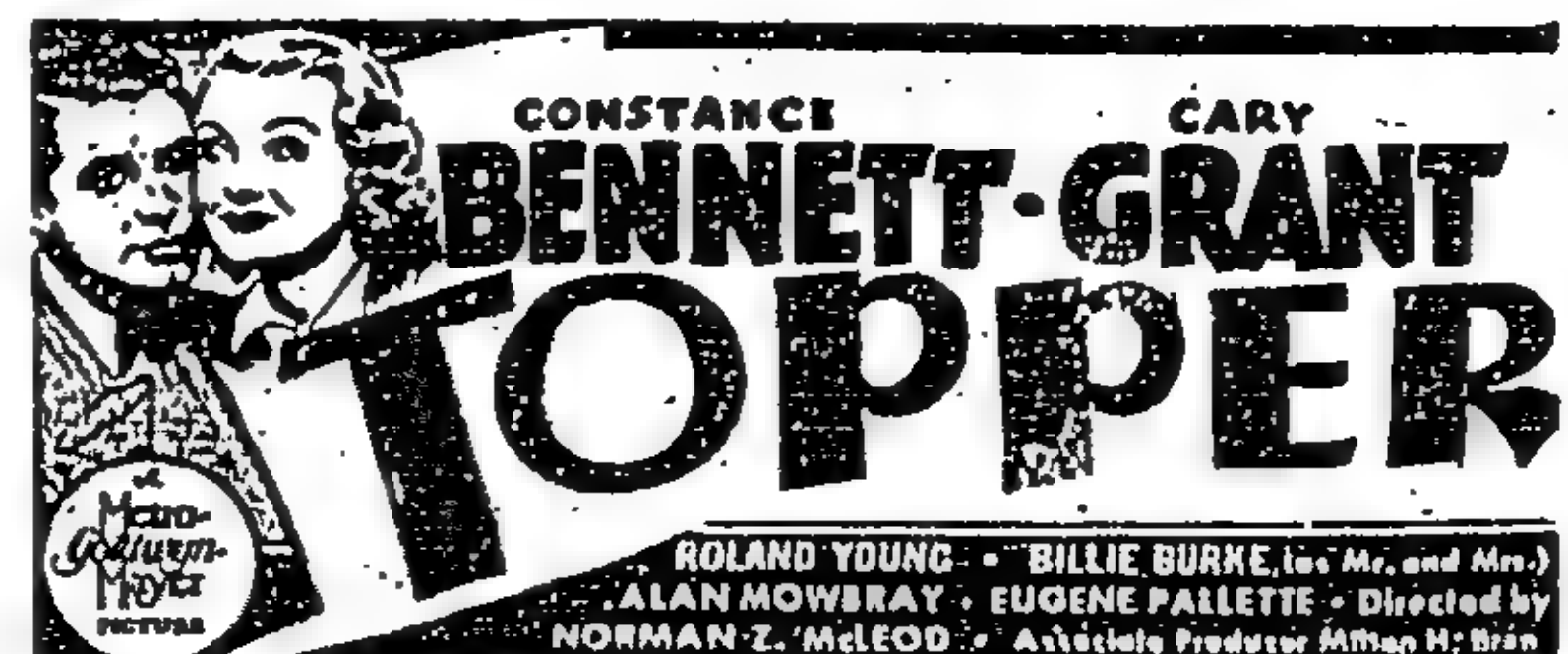
The staff of one New York firm spent \$50 of Germany's money asking for broadcast on Hitler, Goering and Goebbels singing "Say It Isn't So" and cat and dog meat quotations from the Berlin Bourse.

Others asked for bomb by bomb descriptions of R.A.F. raids on Berchtesgaden.

The Berlin radio, in the latest broadcast, asked for messages to be continued, states the Columbia Radio Company. The announcer requested that no criticism should be spared but "if you have any praise to offer, we should only be too glad to receive it."



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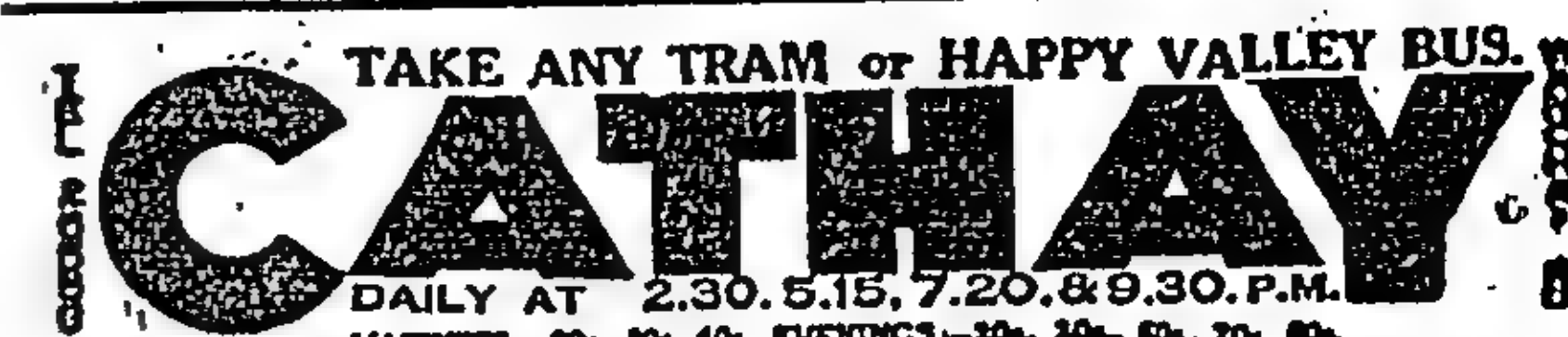
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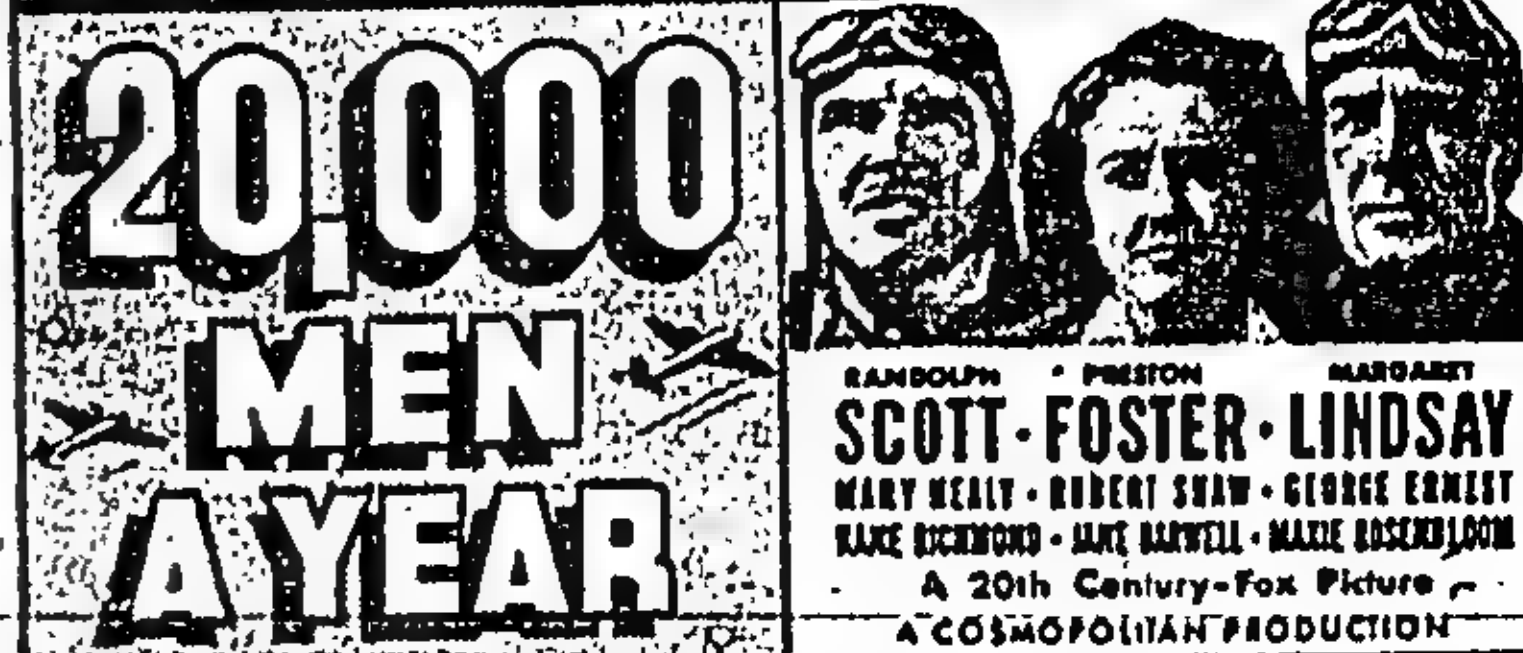
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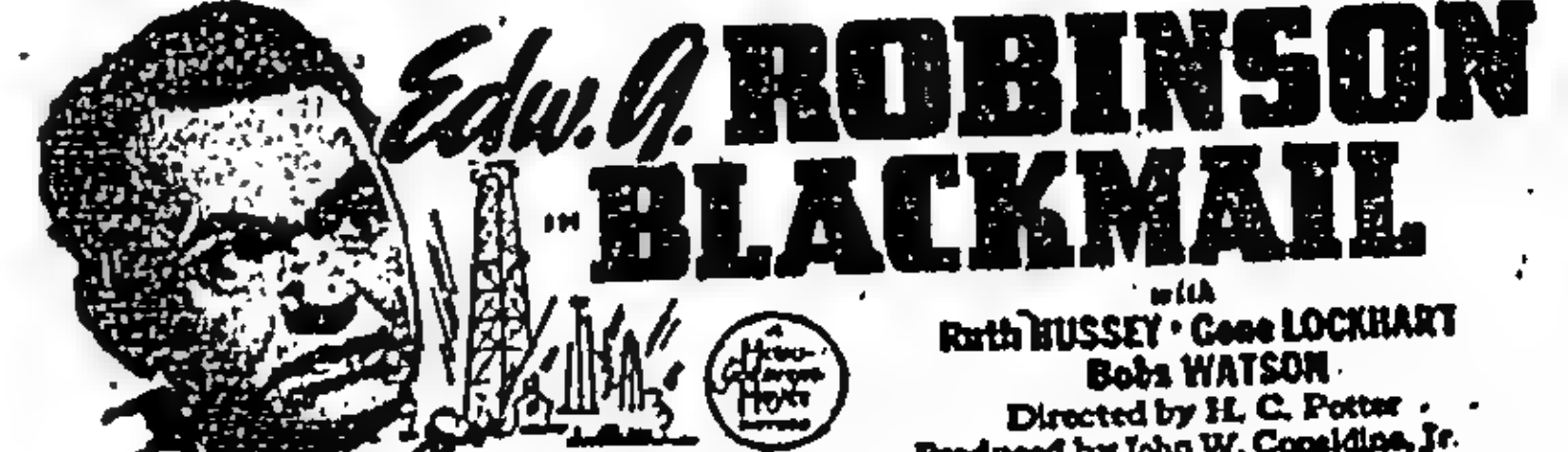
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NOTICE

DEFENCE REGULATIONS 1940

The following rates will be charged for mailing single copies of the following newspapers abroad:—

South China Morning Post
China and Macao
16 cents per copy

British Empire and Foreign
25 cents per copy

The Hongkong Telegraph
China and Macao
14 cents per copy
16 cents Saturdays

British and Foreign
20 cents per copy
25 cents Saturdays.

K.C.C. Eleven

The following will represent the K.C.C. in a senior cricket league match against the Club de Recreo at Cox's Road ground on Saturday, at 2 P.M.

E. C. Fincher (capt.), N. D. Lloyd, D. J. N. Anderson, E. F. Fincher, D. Hunt, A. Zimmer, F. R. Zimmer, F. J. Lay, H. E. Lee, H. T. Broadbridge, W. A. E. Mackay, Umpire, J. P. Robinson; Scorer, T. W. Carr.

ACKNOWLEDGMENTS

FURTHER DONATIONS TO THE BOMBER FUND

A total of \$1,503.150.48 was reached yesterday by the War Fund inaugurated by the S. C. M. Post, Ltd., with the following donations:

Indian and Chinese Police Guards (fourth donation) \$90.20
Mr. M. C. Carruthers (10th donation) 15
O. H. A. L. (third donation) 50

The S. C. M. Post has received the following donation to the Relief Fund for British Prisoners of War:

Mr. H. W. Mullin

DONATIONS WAITING

Donations for the following organisations await collection at the office of the S. C. M. Post: Hongkong Benevolent Society; I.W.O.P.; St. Andrews Society; Emergency Refugees Council; Street Sweepers' Shelter Society; Lepers' Fund; St. Vincent de Paul; Relief Fund for British Prisoners of War; Food Kitchen Appeal Fund.



NEW ADVERTISEMENTS.

THE BANK OF EAST ASIA, LIMITED.

NOTICE is hereby given that the TWENTY-SECOND ORDINARY YEARLY MEETING of this Company will be held at the Registered Office of the Company No. 10, Des Voeux Road Central, on Saturday, the 8th March, 1941, at 2.00 p.m. for the purpose of receiving the Report of the Directors together with a Statement of Accounts for the year ended 31st December, 1940.

The Register of Shares of the Company will be closed from Saturday, 1st March, 1941, to Saturday, 8th March, 1941, (both days inclusive) during which period no transfer of shares can be registered.

By Order of the Board of Directors.
KAN TONG FO,
Chief Manager.
Hongkong, 20th February, 1941.

NOTICE TO SHIPPERS

Notice is hereby given that freight rates will be increased by approximately 10% effective April 1st, 1941. A revised tariff sheet will be issued.

HONGKONG/CARIBBEAN SEA PORTS RATE AGREEMENT

Hongkong, February 19, 1941.

NOTICE TO SHIPPERS

Notice is hereby given that freight rates will be increased by approximately 10% effective April 1st, 1941. Revised rates sheets will be issued.

HONGKONG/PANAMA FREIGHT CONFERENCE

Hongkong, February 19, 1941.

THE "STAR" FERRY CO., LTD.

NOTICE TO SHAREHOLDERS

NOTICE IS HEREBY GIVEN THAT THE FORTY-THIRD ORDINARY YEARLY MEETING OF THIS COMPANY will be held at the Office of Messrs. Jardine, Matheson & Co., Ltd., on Friday, the 28th February, 1941, at 11.00 a.m., for the purpose of receiving the Report of the Directors together with a Statement of Accounts for the year ended 31st December, 1940.

The Register of Shares of the Company will be CLOSED from Wednesday, the 19th February, 1941, to Friday, the 28th February, 1941, both days inclusive.

By order of the Board of Directors.

C. M. MANNERS,
Secretary and Manager.
Hongkong, 12th February, 1941.

G. R.

PARTICULARS & CONDITIONS of the Sale by Public Auction to be held on Monday, the 24th day of February, 1941, at 3 p.m., at the Offices of the Public Works Department, by Order of His Excellency the Governor of one Lot of Crown Land at Tai Kok Tsui, in the Colony of Hong Kong for a term of 75 years, with the option of renewal at a Crown Rent to be fixed by the Surveyor of His Majesty the KING, for one further term of 75 years.

Intending bidders are advised that immediately after the disposal of the lot the Purchaser (if not the applicant) will be required to deposit with an authorised officer who will be present at the sale, the sum of two hundred dollars, (\$200) in cash. This sum will be refunded on payment of the Purchase price.

PARTICULARS OF THE LOT:

No. of Sale	Locality	Boundary Measurements	Containing	Approximate Area
1	Tai Kok Tsui	N. S. E. W.	about 300	10,000
			as per sale plan.	

The purchaser of the lot will be required to pay to the Auctioneer in cash the sum of \$1,000 (being 10% of the upset price) immediately after the fall of the hammer, the balance of the premium being paid in accordance with the Conditions of Sale.

Italian Prisoners

NEW DELHI, Feb. 19 (Reuters).—A further 3,500 Italian prisoners have arrived making a total of 23,000 now in India.

RECONNAISSANCE FLIGHTS BY GERMANS OVER GREECE

BELGRADE, Feb. 19 (Reuters).—Reliable reports that German planes made reconnaissance flights over Greece yesterday are taken here to indicate that Hitler is going forward with his "nerve war" in an attempt to force Greece to give up the struggle against Italy.

It now seems clear that he may try intimidation before risking a conflict by sending troops to the Greek frontier.

The German planes dropped no bombs and were not fired on by the Greeks.

It is not known whether they used Bulgarian or Rumanian bases.

Under No Pressure
ATHENS, Feb. 20 (UP).—Informed quarters stated that Greece is not under pressure from outside regarding peace proposals.

They said that the Turko-Bulgarian declaration does not alter the existing commitments between the Balkan States.

Balkan Bloc Necessary

LONDON, Feb. 20 (UP).—The Under-Secretary for Foreign Affairs told the House of Commons to-day that some time ago the Government had informed the Balkan countries of the necessity of forming a Balkan bloc for the purpose of maintaining independence and political integrity.

Mr Butler did not answer when Sir Alfred Knox asked, whether or not, he could state that the Turko-Bulgarian pact allowed the Germans to cross Bulgaria and attack Greece.

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1.45 Sophie Tucker and Stanley Holloway in Variety.

2.15 Close down.

5.45 Indian Programme.

6.30 Closing local Stock Quotations.

6.32 The Don Cossacks Choir in a Russian Programme.

7.00 London Relay—The News.

7.15 London Relay—"Meet Uncle Sam."

Interviews with experts on U.S.A.

7.30 Dance Music by the B.B.C. Dance Orchestra.

8.00 Local Time Signal, Weather Report and Announcements.

8.03 Robinson Cleaver (Organ) and Patricia Rossborough (Piano).

8.15 Studio—Local Newsletter.

8.30 Variety with Sandy Powell and Pat Kirkwood.

9.00 London Relay—The News.

9.15 London Relay—Questions of the Hour.

9.30 A "Cello and Piano Recital by Casals and Gieseking.

9.55 Beethoven—Symphony No. 9 in D Minor, Op. 125 "Choral."

11.0 Close down.

DANISH ENVOY

Leaves Chungking For Thailand Post

CHUNGKING, Feb. 20 (Central News).—Mr Hjalmar Collin, the Danish Minister to China, who has received orders to be transferred as Danish Minister to Thailand, left yesterday afternoon for Hongkong by a C.N.A.C. plane en route to Thailand.

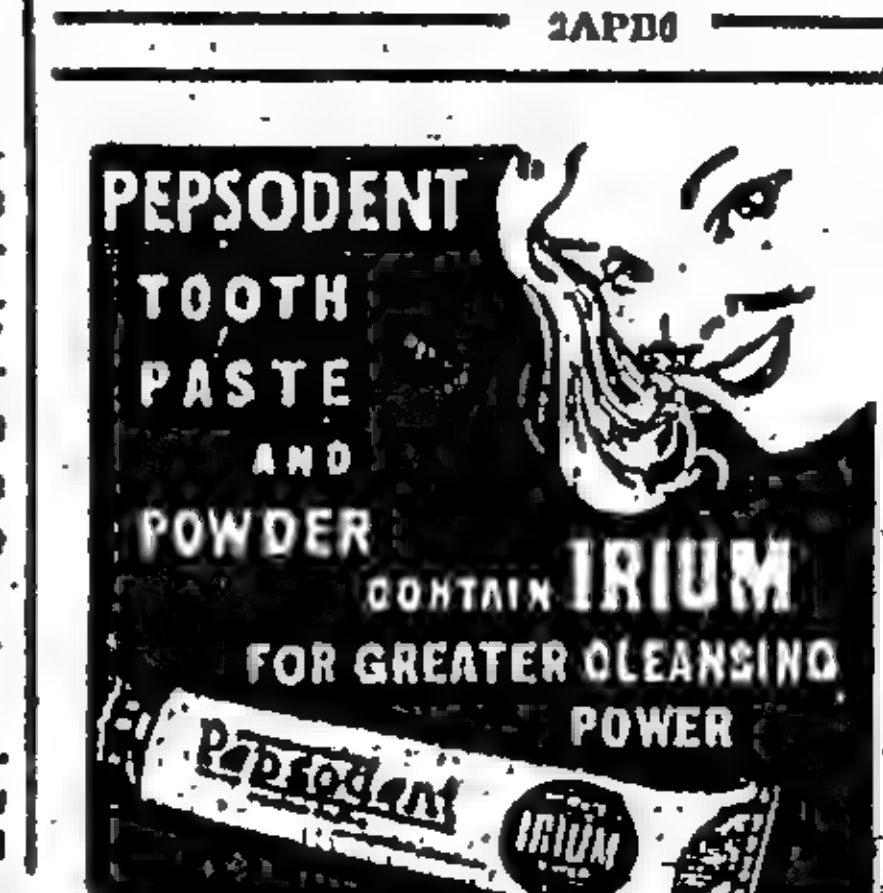
Thought it was a DUODENAL ULCER

Near the base of the stomach, is the part which doctors call the duodenum. It is the seat of the duodenal ulcer which every stomach sufferer naturally dreads because it so often means a serious and painful operation.

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Adm. Stark Says Tokyo Must Be Ignored

WASHINGTON, Feb. 19 (Reuters).—A letter from Admiral Harold Stark, Chief of Naval Operations, suggesting that any Japanese protest at the United States' naval defence measures should be "totally disregarded" was read by Mr Carl Vinson, Chairman of the Naval Committee of the House of Representatives, to-day.

The Committee was beginning the debate on the \$242,000,000 naval base development programme.

Charles Faddis urged that the United States notify Japan now that "if she strikes against Singapore, the United States navy will cut her supply lines, move on her principal cities and industrial centres and destroy them."

Representative John Dingell said it was only a cowardly attitude that caused the House in previous years to reject the proposal for an air base at Guam lest it offend Japan.

Admiral Stark emphasised that Guam was American property, saying: "Our actions should be determined by what is best for the United States and not dictated by any foreign power."

The House will almost certainly approve the proposed expenditure of \$4,700,000 for bomb shelters to make Guam a naval aviation outpost.

An expenditure of \$9,100,000 for similar purposes at Tutuila Island in Samoa will also be approved, it is expected.

The House has also tentatively approved a section of the naval base development programme authorising the expenditure of an additional \$50,000,000 for the development of the Atlantic bases acquired from Britain. This is considered to be the first step towards Congressional ratification of the "Destroyers for Bases" deal.

Guam Project
Mr Vinson also read a letter from Colonel Frank Knox, Secretary of the Navy, emphasising that the Guam project is "of particular importance to the Navy."

Mr Vinson prefaced his remarks by stating that the country could rest assured that "all hands in the Navy were on tip toes ready for any emergency that they may be called to meet."

Tentative Approval

WASHINGTON, Feb. 19 (Reuters).—The House of Representatives has tentatively approved the development of Guam and Samoa as naval and aviation outposts.

Goes To Senate

WASHINGTON, Feb. 19 (Reuters).—The House of Representatives to-day passed the measure authorising the expenditure of \$242,000,000 on the development of naval bases.

The measure now goes to the Senate.

The bases include Guam and Samoa and the Atlantic sites acquired from Britain.

One Dissident

WASHINGTON, Feb. 19 (UP).—The passage of the Naval base bill in the House was by voice action, Representative Vito Marcantonio being the only dissident.

During the debate, Representative

Foreign Idle Shipping May Be Taken Over By Americas

Special to the "Telegraph"

WASHINGTON, Feb. 20 (UP).—Maritime circles understand that a deal has been nearly consummated whereby about 60 idle Danish and other vessels will come under the jurisdiction of the American flag as an important aid to British shipping.

They will be used largely in the Pacific thereby releasing British tonnage for service in the Atlantic. The deal affects 40 Danish ships in America and 20 others in Latin American ports.

The owners of American Lines previously opposed the deal alleging that it would constitute dangerous competition but it is understood routes could be worked out under which there would be no important conflict with the existing American Line routes.

Argentine Interest

BUENOS AIRES, Feb. 20 (UP).—It is reported that the Ministries of Foreign Affairs and Agriculture are studying the possible expropriation of neutral ships now taking refuge in Argentine ports.

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SOLE AGENTS

HONG KONG CANTON

SENATORS FACE REALITIES

Aid U.K. or We Fall Together

WASHINGTON, Feb. 19 (Reuters).—Enactment of the Aid for Britain Bill would mean intervention in the European conflict, said Senator Bailey (North Carolina Democrat) at the third day's debate on the Bill in the Senate.

He continued: "I hope that this intervention may not mean war but if it does, I am ready for it."

He declared that the Bill would give the United States a better chance for ultimate deliverance from the totalitarian world revolution.

Senator Connally of Texas, another Democrat, had opened the debate by observing that the world's democracies "must all hang together or they will hang separately."

He predicted that an attempt would be made to invade North and South America if the Axis Powers were victorious in Europe.

Anglo-Soviet Impasse

Mr Butler's New Statement

LONDON, Feb. 19 (Reuters).—No further progress in Anglo-Soviet negotiations could be reported by the Government spokesman when questioned in the House of Commons to-day.

Mr Butler said that since his last answer some weeks ago, matters had not been carried further by the Soviet Government.

The Labour Member, Mr. Frederick Cocks, argued that as there was so little difference between *de jure* and *de facto* recognition of the position in the former Baltic states that such small things should not be allowed to interfere with the establishment of better relations between Britain and Russia.

Certain Large Issues

Mr Butler said: "There are not only small but certain large issues involved in this question and I cannot take it further at present."

Mr Butler did not reply to a supplementary question which implied firstly that Russia is terrified of Germany; and secondly that the British Ambassador in Moscow (Sir Stafford Cripps) should be brought back to report to a secret session of the House of Commons.

Macao Launch Seized

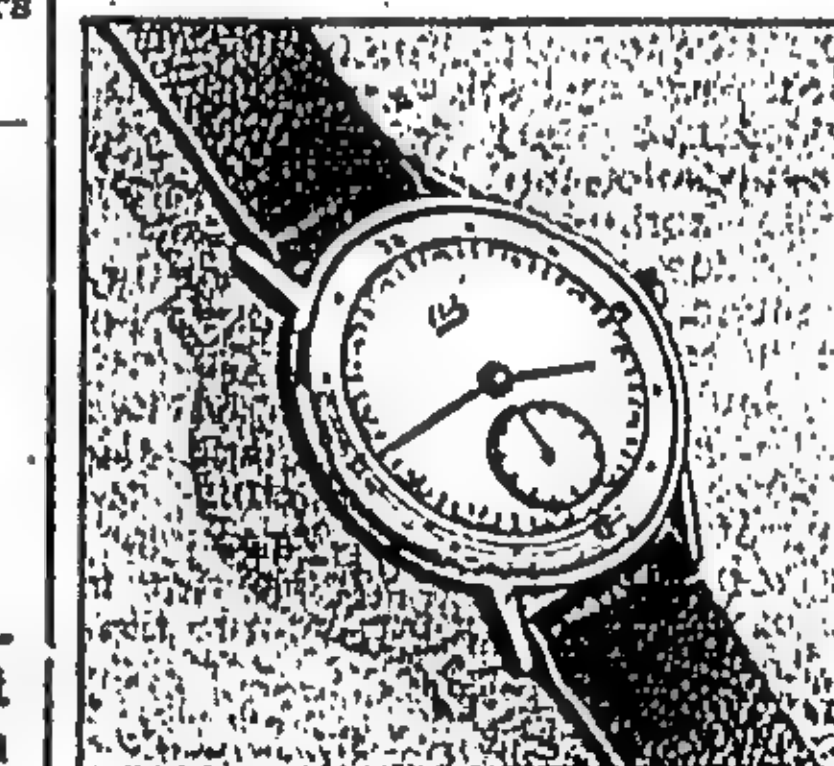
By Japanese Gunboat

A Macao steam launch, the *Chung Wah*, owned by Mei Yuen Co., Macao, was the victim of a Japanese gunboat recently, according to a report made by the Master, Leung Yau, to the Hongkong Police.

Leung reported that he was towing a lighter containing ducks, eggs and firewood from Kwang Ho, Toishan, to Hongkong but near Macao a Japanese gunboat put out from Ho Pa Nan, towed them in and retained both launch and lighter. The crew were put off on the mainland and they made their way by junk back to Macao.

Leung said his Hongkong papers were taken by the Japanese.

HANOI, Feb. 19 (Reuters).—Airmen from the French air force, who arrived in Saigon on February 8 from France, have been assigned to several Indo-China bases, Saigon and strategic points in Cambodia and Laos, says a Japanese report.



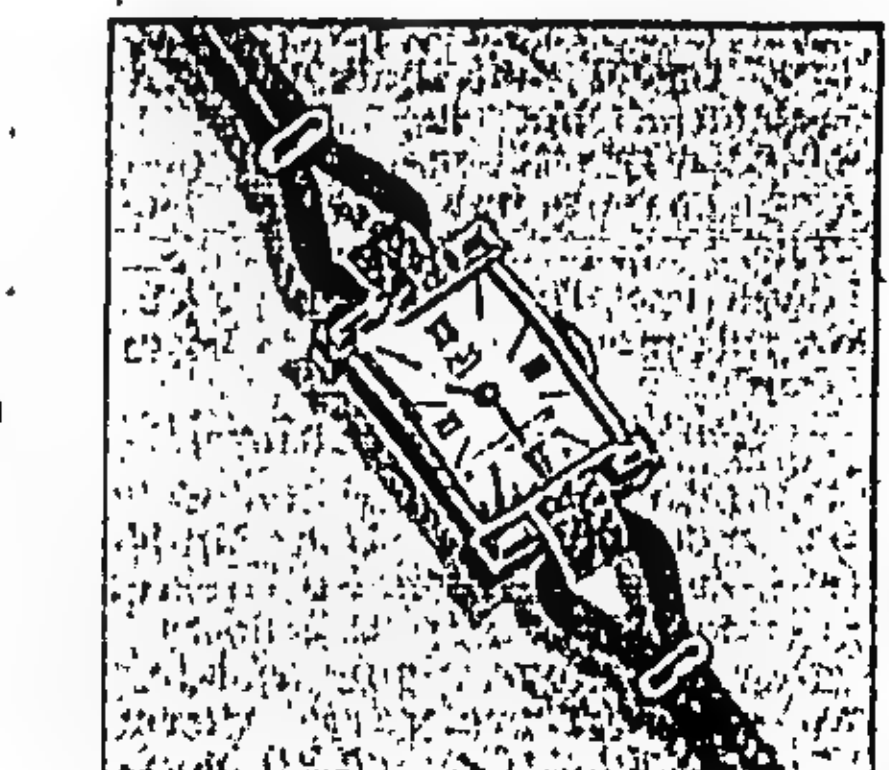
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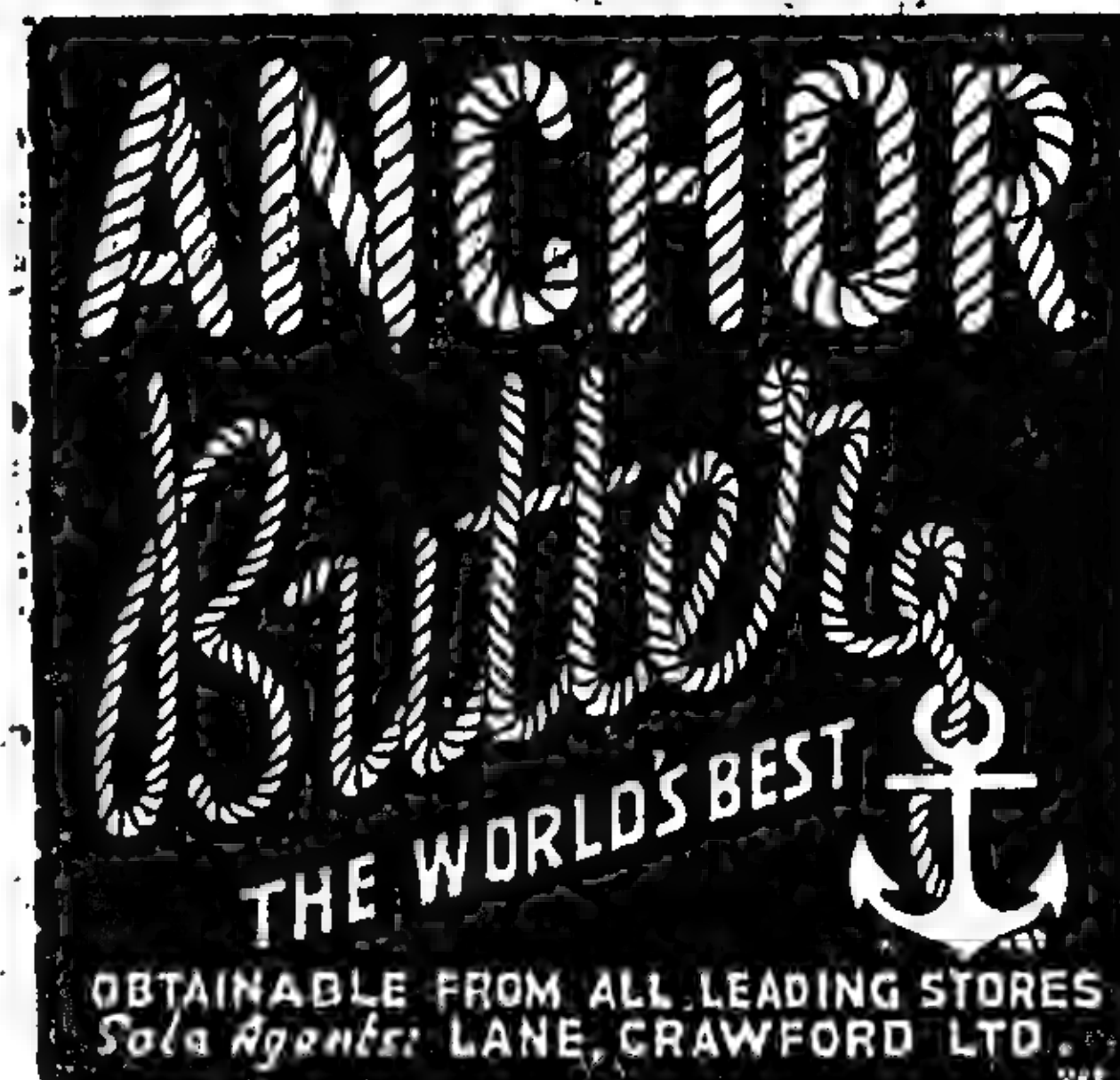
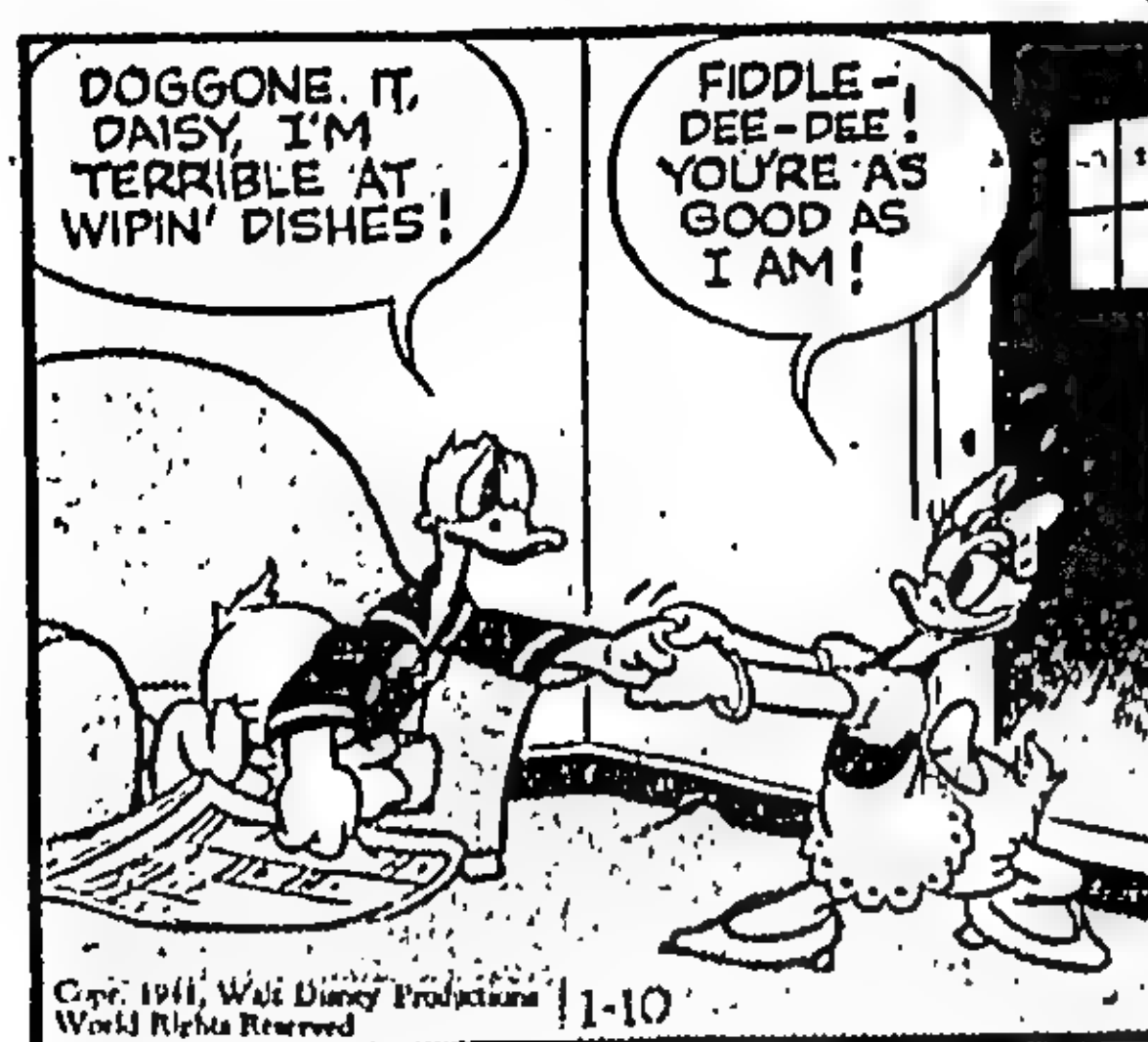
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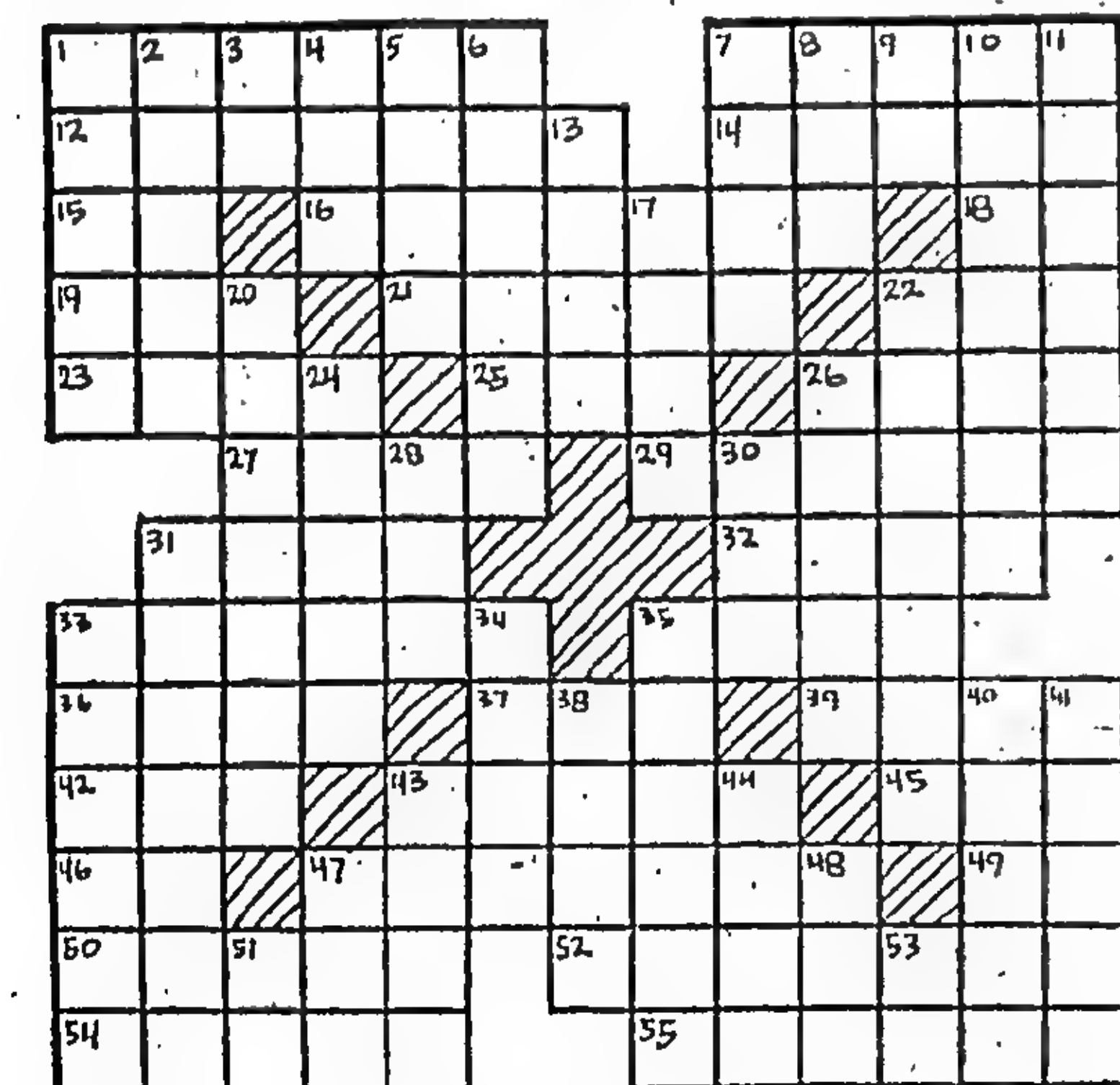
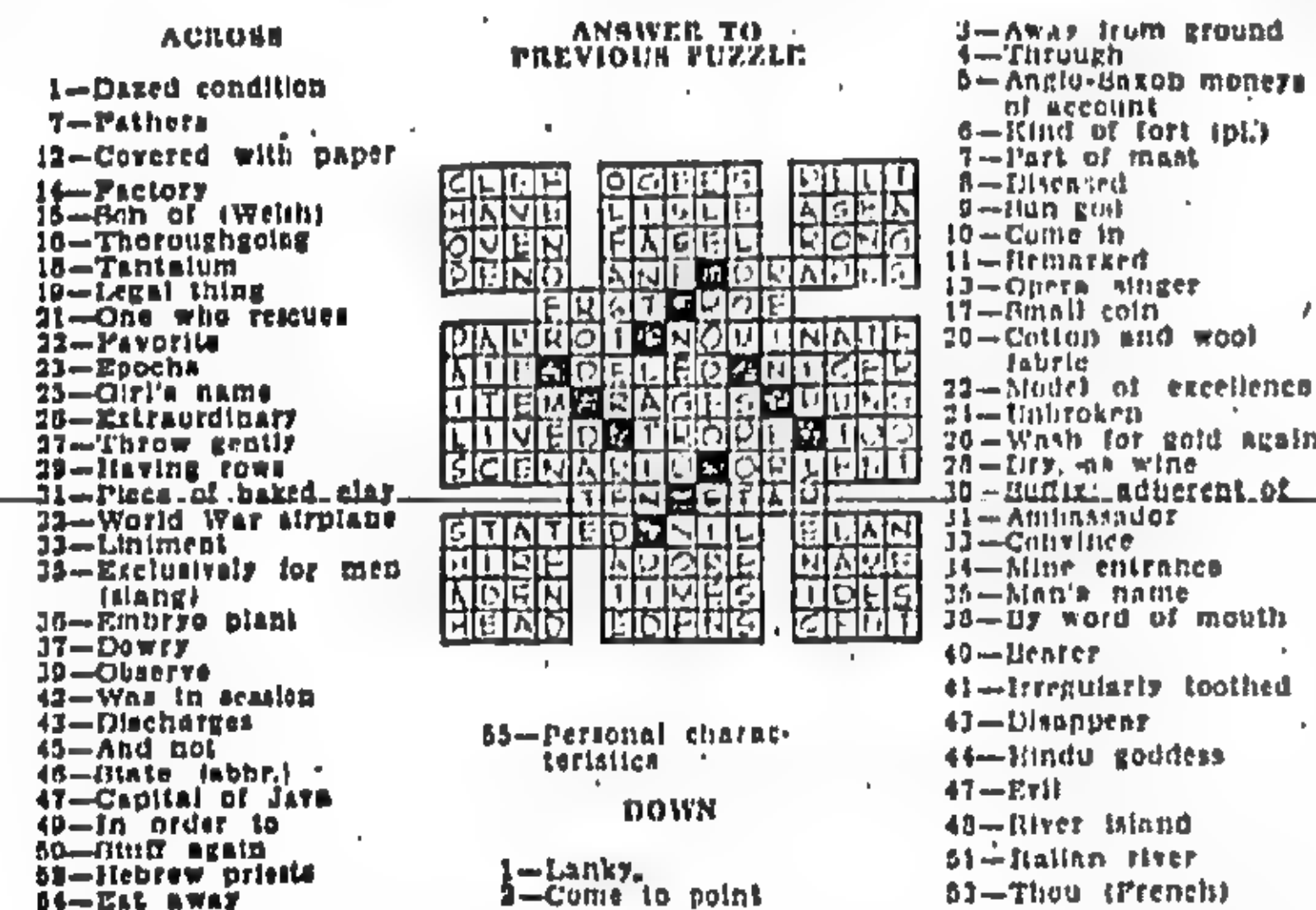
GRIN AND BEAR IT By Lichty



"The first requirement of successful forecasting, Trufflo, is to look out the window first!"

Crossword Puzzle

By LARS MORRIS



Nazi Defences Pierced By U. S. Shafts Of Wit

NEW YORK, Feb. 19 (Reuter).—A Nazi broadcast invitation to Americans to send "Receiver to Pay" telegrams to Berlin stating the kind of programmes they would like from Germany has had an amusing sequel.

Thousands of people swamped the telegraph offices, where extra staffs were needed. The messages to Berlin were sarcastic and sometimes downright anti-Nazi.

The staff of one New York firm spent \$50 of Germany's money asking for broadcast on Hitler, Goering and Goebbels singing "Say It Isn't

So" and cut and dog meat quotations from the Berlin Bourse.

Others asked for bomb by bomb descriptions of R.A.F. raids on Berlin.

The Berlin radio, in the latest broadcast, asked for messages to be continued, states the Columbia Radio Company. The announcer requested that no criticism should be spared but "if you have any praise to offer, we should only be too glad to receive it."

UNOFFICIALS' CRITICISM OF HONGKONG BUDGET

The debate on Hongkong's 1941-42 budget opened shortly after half past nine this morning in the Council Chamber, when all the Unofficial members of the Legislative Council made their contribution.

The Colonial Secretary, Hon. Mr N. L. Smith presided, in the unavoidable absence of His Excellency the Acting Governor, who is indisposed, as a result of slight injury sustained while out walking yesterday.

The Hon. Mr J. J. Paterson thought the budget was a good one, but expressed the opinion that the conduct of some of the Government's affairs was bad, and he wondered whether no member of the local Heavensborn was ever dismissed for inefficiency.

The Hon. Mr S. H. Dodwell wanted some of the iniquities of the present war taxation bill to be ironed out and revealed himself opposed to direct income tax. He too, was highly critical of the Government services, and suggested that the special war time departments had been staffed, not with men considered suitable for the jobs, but with senior men Government had either to find jobs for, or pension off long before their pensionable age.

Mr Dodwell suggested an enquiry into the many serious charges that had been made against certain departments; he said this would be in the interests of both the departments and the public.

The Hon. Mr M. K. Lo, chief spokesman for the Chinese members, made comprehensive survey of the Estimates, criticised the Financial Secretary's assessment of the war taxation returns, deprecated the suggested increase in death duties, and was also critical of the manner in which the work of food controlling was being effected in Hongkong, as well as Government's policy concerning firewood, and the manner in which the work of the Immigration Department was being carried out.

The early speeches, which had been delivered up to the time of going to press follow.

Hon. Mr J. J. Paterson
Opening the debate, the Hon. Mr J. J. Paterson, said:

Sir,—It is usual for the Unofficials opening the debate to deal with those matters on which we are all agreed and in which no other member has any very special interest. This procedure this year leaves me little to say.

We have written His Excellency about the conduct of some of Government's affairs which we sadly feel to be bad. This will, we hope, be dealt with at another time; we do wonder how it is that, alone of all the Services and unlike the business world, no member of our local Heavensborn is ever dismissed for inefficiency. Perhaps the answer is that none is ever inefficient.

The budget is a good budget and on behalf of all the unofficals I would like to thank our Financial Secretary for the very great care he has taken of the Colony's finances.

Night Soil Collection
We have suggested the postponement of various works which we believe can very well keep until later and these have been agreed to, I think the result lies on the table. There is one item however which still remains open, the collection of night soil by Government at a cost of \$384,000 for coolies only, we firmly believe supervision can be given to the existing arrangement until we can see more clearly what the future holds for us.

The necessity for Evacuation is at last apparent; I feel that some part of all three parties to it behaved badly, the Colonial Government which failed completely to make proper arrangements ahead of the event, some of the evacuees who continue to complain I think unduly of hardships which when viewed in the bomb-light of Coventry are little enough and the Home Government when it failed to enforce laws laid down and allowed non co-operation to succeed. A Trinity of incomprehensibility which reminds me of St. Athanasius, his creed.

Hon. Mr S. H. Dodwell

Addressing the meeting, the Hon. Mr S. H. Dodwell remarked:

"Sir,—Amendments to the Budget recommended by the Select Committee and agreed to by His Excellency have considerably reduced the deficit originally forecasted by my Honourable friend the Financial Secretary.

Everyone must regret the need for the pruning that has taken place, and must also admit that we lag behind lamentably in the matter of social services. The leeway must be made up as soon as possible, but surely it is nothing less than lunacy to spend large sums on elaborate hospitals and police stations on the surface of the ground while at the same time we are building a network of air raid shelter tunnels under it.

I am very glad indeed that the Government have agreed to include an extra \$100,000 for the University, of which the revenue has been so badly reduced by the fall in the

value of the Chinese National Dollar that it can barely carry on in a manner befitting the Colony. Our prestige is at stake, and it seems to me we should either run the University efficiently, or not at all.

War Taxation

My Honourable friend the Financial Secretary considers it inevitable that we increase our War Taxation and favours an Income Tax rather than an increase in the present War Revenue Ordinance rates. Except as regards the Salary Tax, I am not affected by our local taxation, my company being registered at home. My views therefore are perhaps susceptible of comparison with Home taxation the Colony is of course ridiculously lightly taxed. At the same time, I am not in favour of increasing taxation on the low level incomes. Married men with salaries around say \$10,000 per annum are I know finding it increasingly difficult to make ends meet. Cost of living statistics show a very substantial rise and those young married men with evacuated families and two households to maintain, should receive greater consideration in the allowances for wives and children, provided they pay their evacuation maintenance expenses themselves. I am also strongly in favour of exempting charitable contributions from taxation. This is done at home and it has not done here our charities will surely suffer.

I am convinced that a change from the present compromise taxation to a straight income tax would lead to the same unfortunate opposition that it encountered last year. I think we should endeavour to iron out some of the iniquities of the present bill. There must surely be a great advantage in knowing what revenue it produced on the basis of 1939. On that of 1940, even at the same rate, it should produce more, whereas to force an income tax on an unwilling Chinese population might easily lead to our getting less revenue and cost us more to collect.

Adverse Criticism
During the deliberations of the Select Committee, the conduct of certain Government departments came in for much adverse criticism. My Honourable friend the Senior Member has already dealt with this matter, but I should be lacking in my duty were I not also to stress the extreme seriousness of the many adverse reports and complaints which have brought to the notice of our Unofficials. Unfortunately, few, if any of the serious charges made can be supported by evidence because those concerned are unwilling to come forward for that purpose, but grievances are so numerous that in the interests of the departments themselves, as well as that of the public, an enquiry should be held.

Last year in the remarks I made on the budget debate, I expressed my conviction that the Government was suffering from three deadly disabilities: firstly, their inability to dispense with the services of an unsatisfactory servant; secondly, promotion by seniority rather than ability; and thirdly the higher pay obtained in this Colony as compared with most others, which reduces to

a minimum the healthy transfer of staff from one Colony to another, and breeds a parochial-minded service.

In the Report of the last War Revenue Committee the members, composed of the leading business men of the Colony under the Chairmanship of my Honourable friend the Attorney General, were unanimous in recommending that—

"Before fresh taxation is imposed to meet this need, a Commission (preferably a Royal Commission) be set up to investigate the whole question of civil government in this Colony with a view to ascertaining whether it is possible to effect economies which would permit of a substantial increase in the programme of social services without undue increase of taxation."

We realise that the present situation renders it impossible for this recommendation to be carried out, but if the same Committee is reconstituted this year, I hope they will repeat this recommendation in their 1941 report, lest 1940's be pigeon-holed and forgotten.

Overhaul Needed

There is pressing need for a thorough overhaul of a system which has raised the total of personal emoluments to such a fabulous sum that the Colony's taxable capacity in normal times is not equal to also providing what should be provided for our social services.

The paucity and mediocrity of the executive material available this year to fill the special war time departments has, I think, confirmed my last year's criticism up to the hilt. I am quite sure that the executive heads of the Government staffed these departments not with men they considered to be suitable for the jobs, but with senior men they had either to find jobs for or pension off long before their pensionable age. Although they probably won't admit it, they know in their heart of hearts that this is the case. The Prime Minister has made it clear that he wants to rid himself of much of the verbiage and red tape in which our service abounds. Let us pray that, at the end of this year, he will go further, and see that it is placed on a more businesslike and workable footing.

Continued on Pages 5, 6 and 9

Blockade Leaks

New Base Considered

SPECIAL TO THE "TELEGRAPH"

LONDON, Feb. 20 (UP).—The Ministry of Economic Warfare to-day disclosed that Britain is considering the establishment of new contraband control bases near the Americas, probably at Trinidad, to enable the British to intercept contraband ships and cargoes especially from the east coast of Latin America via Panama with goods for Russia and Japan from where they could reach Germany.

Light Raids On U.K.

Scotland Visited

LONDON, Feb. 19 (Reuter).

Bombs were dropped at two places on the north-east coast of Scotland this morning, states the Air Ministry.

Some damage was done to buildings and there were a few casualties. A few bombs were dropped near the East Anglian coast but did little damage and nobody was seriously hurt.

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* Sanuki Maru (starts from Kobe) Thursday, 20th Feb.
NEW YORK via Japan & Panama

* Awata Maru Thursday, 20th Mar.
SYDNEY & MELBOURNE via Manila

Hushimi Maru Wednesday, 20th Feb.
SAIGON

* Dnkar Maru Sunday, 23rd Feb.
(Cargo accepted for Saigon)

BOMBAY via Singapore & Colombo.

Anyo Maru Saturday, 1st Mar.
RANGOON & CALCUTTA via Singapore

* Nagato Maru Saturday, 22nd Feb.
* Dnkar Maru Sunday, 23rd Feb.

Kobe & YOKOHAMA

Tatuta Maru Tuesday, 25th Feb.
Atuta Maru Monday, 3rd Mar.

Nitta Maru Tuesday, 11th Mar.
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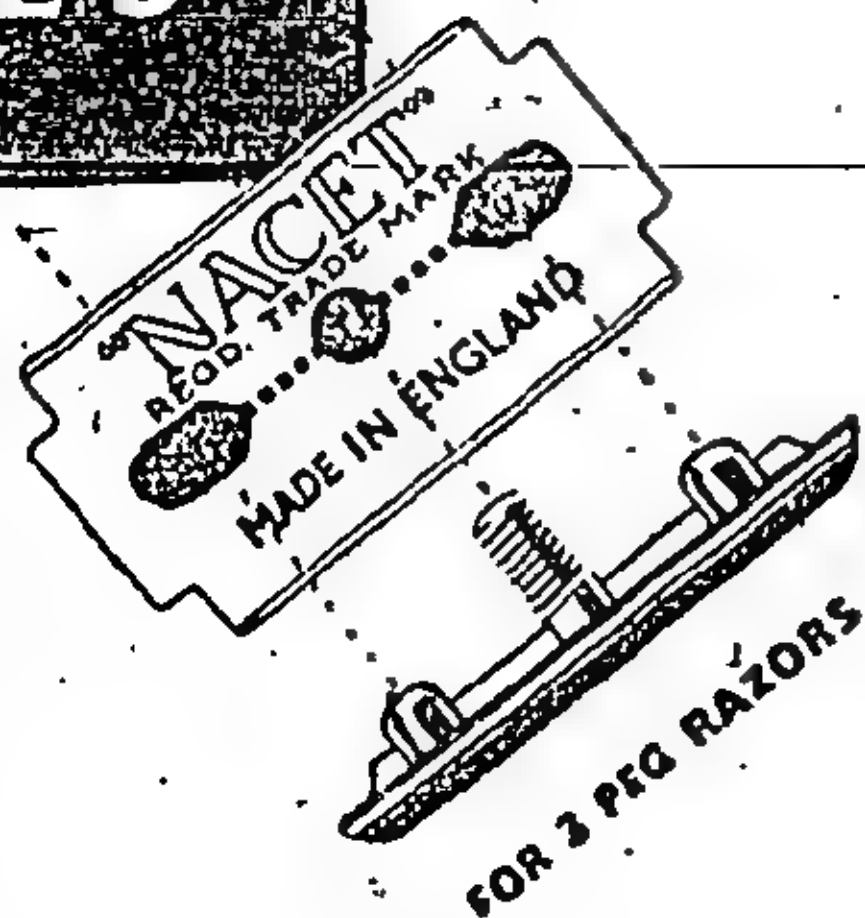
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The
Hongkong Telegraph

Thursday, February 20, 1941.

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DEEDS AS WELL AS WORDS

TWO events were reported by cable yesterday which can be calculated to make a substantial contribution towards dispelling the tension which has grown to such proportions in this part of the world. One was the announcement that Mr Shigemitsu, the Japanese Ambassador to London, had shared a long conversation with Mr R. A. Butler, during which the Ambassador gave an assurance that Japan does not intend to attack either British or Dutch territory in the Pacific; the other was the arrival in Singapore of thousands of Australian troops, fully equipped with the most modern war materials, who are to remain in Malaya with other British and Indian forces for the purpose of defending the States against any attack which might be launched.

Both Mr Shigemitsu's statement and the arrival of Australian reinforcements indicates a realistic attitude by Japan and the British Empire, to the situation in the Far East, and both events are heartily welcome. Furthermore, there must be taken into consideration Mr Butler's ridicule of the suggestion that the disposition of British armed forces in Malaya in any way denoted intentions of aggression; that statement was scarcely necessary. Britain does not seek in this part of the world anything more than the maintenance of the status quo as provided for in a number of international treaties. This has been so explicitly declared and revealed that no nation can be in any two minds about it. To suggest otherwise is a deliberate distortion of clear facts and knowledge. Japan, in particular, can accept this without qualms, and the cause of so much of the political tension and worry in the Orient would evaporate if Mr Shigemitsu's declaration could be accepted with the same assurance.

Very pointedly Mr Sumner Welles observed this week that the United States prefers deeds to words by Japanese spokesmen when it comes to a question of international relations in the Pacific, implying, and rightly so, that words have become rather cheap and in more cases than one, meaningless. Undoubtedly Japan has manoeuvred herself into a delicate position in the Far East, but there is still plenty of opportunity to free herself from the shackles and to avoid plunging the Pacific into the maelstrom of war. The right kind of deeds, as well as the right kind of words, are needed.

THOSE SPRINTERS



After all, we are lucky that the war stopped the Olympic Games, otherwise the Italians would be winning all the races!

MR BUTTERS REPLIES TO
THE UNOFFICIAL MEMBERS

FROM PAGE ONE

of what I stated in connection with the general reserve balance, or so-called surplus balances at the last meeting of this Council, the Hon. Mr Li Tse-fong proposes that we should have recourse to this balance to finance war expenditure next year, and he adds the interesting theoretical argument that a balance is a medieval survival which a modern state has no need to keep. It may be possible to this balance as it is possible to dispense with normal backing for currency, but this Colony does not possess a self-contained economy and is largely an entrepot for China and its prosperity depends to a large extent, I submit, on the soundness and orthodoxy of its finances and the confidence they inspire both locally and in China.

I stated at the last meeting that our current balance was about \$7 million dollars. I exaggerated.

Widows' & Orphans' Fund

The reserve balance of this Colony as I have informed Hon. Members on a previous occasion is impressed with a trust in so far as the compulsory contributions of Government officers to the Widows' and Orphans' Pensions Scheme have been paid to revenue and no fund has been established to meet the outgoings which Government has undertaken to pay.

So far, income in this connection has exceeded expenditure, but the position is not satisfactory though it cannot be said without actuarial investigation how many million dollars should be earmarked for this fund, but I am afraid the position is that the reserves with which the Hon. Mr Li Tse-fong wishes to meet next year's extraordinary commitments do not morally exist, though they can to a certain extent be made available in an emergency.

I agree with him that balances may properly be used to meet an emergency, but only a financial emergency, and there is none such at present, and I decline to treat next year's budget, though including large defence expenditure, as an emergency and not mainly a normal budget. But if we have no balance to draw on to meet unforeseen expenditure how are we to carry on? The experience of the recent loan is a warning that we cannot borrow at least at a reasonable rate of interest.

Recent Loan

Incidentally the Hon. Mr Tam has misinterpreted my remarks in that connection. I deplored nothing. I stated that Government took up too much. In fact, it decided on that amount before the issue, as the prospectus indicates and was not left with that amount in its hands; but the fact remains that there was little public response.

In my experience this Colony never enjoys a prolonged period of financial normality with a steady and reasonably predictable income. It is either enjoying a boom or suffering from a depression. At present I submit it is the high cost of living a great number of people in this Colony are enjoying unprecedented prosperity. Even the large local expenditure on defence has served to pump consumers' purchasing power into the pockets of many and has stimulated trade. If at any time this Colony is able to meet its expenditure, even swollen by our defence requirements, it is now, and that expenditure should be met so far as possible, and I submit that means entirely, from current revenue.

Continued Prosperity

The revenue calculations for next year are based on the continuation of the present prosperity of the Colony and in the present world situation

submit that represents a certain degree of optimism. Several Members have reminded us that of recent years actual revenue has exceeded the estimate and, therefore, should continue to do so, and that we should be satisfied with thinking that all will be well and that everything from the revenue point of view will automatically turn out satisfactorily.

One Member has gone so far as to accuse me of conservatism, caution and pessimism. If by pessimism he means endeavouring to foresee and obviate difficulties, I confess I am heard in the speeches of Hon. Members to-day has relieved my pessimism. It is said that I have sought to build up hidden reserves and have written off expenditure incurred on food reserves. I only wish I had more hidden reserves to footless to. The expense has not been written off, though it is not possible to estimate through it will be recovered, and we are at present dealing with the expenditure for next year. If these reserves have to be maintained throughout the year there is bound to be a loss in turnover and replacement whatever eventual sum may find its way to revenue. And to charge the cost to expenditure instead of opening a suspense account is the proper way to maintain control in the hands of the legislature.

Taxation

It has been alleged that by these devices and on the pretext of an unbalanced budget I have raised the bogey of Income Tax. I do not propose to discuss that matter, which can well be left to the reconstituted War Revenue Committee, but it is my duty to point out that this Colony is ridiculously lightly taxed in comparison with Home, and in my opinion it must have balances, and adequate balances, not only to meet an emergency but to even out the fat and the lean years if any planned development is to be undertaken.

In this connection I would state that Sir Geoffrey Northcote, shortly before he departed on leave, instructed me to prepare a programme for the Colonial Development and Welfare Scheme, which I have failed to do. I have spent considerable time on the problems and the more I investigated the greater they appeared and the necessity for elaborate planning, town planning and slum clearance, agriculture and fisheries, health and education became increasingly apparent.

Fisheries & Agriculture

All that we have been able to do has been to include with the approval of all Members of this Council, provision for the Fisheries Research Station and the Experimental Agricultural Station in the New Territories in next year's estimates to be met from Colonial funds. That is only a small proportion of what is required.

It may be said that such development is not practical politics at the present time. That may be so but the budget was framed as I stated already to make due provision for defence and social services.

There is no oppressive taxation in Hongkong at this time, and I submit that none of the new taxation proposals is oppressive and that this Colony ought to be able to provide for its current revenue all the expenditure included in these estimates and even additional expenditure if necessary. I appeal to Hon. Members not to spend the meagre resources inherited from the past nor to seek an overdraft on the future, but to endeavour to meet current expenditure from current revenue, bearing

Japan Makes Official
Overtures To Britain

LONDON, Feb. 19 (Reuters).—The Japanese Foreign Minister, "Reuter's" diplomatic correspondent learns, has addressed a special message to Mr Anthony Eden, the Foreign Secretary, in which he offers to take whatever action be needed to restore normal conditions not only in the Far East but anywhere in the world.

This official endorsement of the proposal made by Mr Ishii, the Japanese spokesman yesterday gives it a very different importance from the apparently casual suggestion of a subordinate official.

It becomes a serious approach from the head of a government which is in contractual relations with Germany and Italy although Mr Ishii expressly stated that those countries had not been consulted.

Naturally Mr Matsukata's message will be received with the consideration which the authority of the sender demands but there is not likely to be any variation in the general and immutable principles of British policy.

Eden's Statement

LONDON, Feb. 19 (Reuters).—Invited at question time to-day to make a statement on the Far Eastern situation, Mr R. A. Butler, Under-Secretary for Foreign Affairs, said that as the House was aware there had recently been increased tension over certain events, notably over the dispute between Indo-China and Thailand.

A Japanese official spokesman had made a statement to the press yesterday which will doubtless come to the attention of members of the House. Mr Eden had received from Mr Yosuke Matsuoka, the Japanese Foreign Minister, a special message in courteous terms and on the same general lines as the statement just referred to. The terms of the communication are at present receiving due attention.

No Compromise

LONDON, Feb. 19 (Reuters).—"Britain will not entertain peace proposals until a complete victory has been gained" is the categorical reply of an authoritative quarter—here commenting on the Japanese spokesman's statement that Japan is ready to mediate in any war if invited to do so.

The London authority points out that it is most interesting that the Japanese spokesman should feel called on to make such an offer adding, "The Japanese evidently do not appreciate the conditions in Europe brought about by a war started by their ally. As the British Premier emphasised over and over again, there can be no compromise."

New Life Movement

CHUNGKING, Feb. 19 (Central News).—Chungking observed the seventh anniversary of the New Life Movement with meetings, vocational contests, exhibitions, mass weddings, athletic competitions and special movie shows.

Madame Chiang Kai-shek started the anniversary observance by opening the newly-completed Loyalty Memorial Hall of the New Life Social Service Centre.

In mind that the purpose of that expenditure is largely defence and social services, or, if I may otherwise express it, the preservation and promotion of our civilisation.

By BILLIKEN

Exchange At
A Glance

SELLING	
T.T. London	1/2 3/4
Demand London	1/2 3/4
T.T. Shanghai	425
T.T. Singapore	523 1/2
T.T. Japan	523 1/2
T.T. India	102 1/2
T.T. U.S.A.	82 1/2
T.T. Manila	48 1/2
T.T. Batavia	48 1/2
T.T. Bangkok	149 1/2
T.T. Saigon	105
T.T. France	103
T.T. Switzerland	103
T.T. Australia	1/6 3/4

BUYING	
4 m/s L/C London	1/3 1/4
4 m/s D/P London	1/3 1/4
4 m/s L/C U.S.A.	25 1/4
4 m/s France	Nom.
30 d/s India	34 1/4
U.S. Cross rate in London	4.02 1/2
U.S. Cross rate in N.Y.	4.02 3/4

Vichy Trial

LONDON, Feb. 19 (Reuters).—A big trial of officers who have joined General de Gaulle's movement is to begin on February 25 at Gannet, ten miles west of Vichy, states a Vichy dispatch to the official German news agency.

The proceedings will not be open to the public.

FOR WAR AREA
Overseas Chinese To Visit

Chungking

CHUNGKING, Feb. 20 (Central News).—Mr Aw Boon-haw, Chinese magnate of Singapore, Mr Li Sing-kui, well-known Chinese leader in Hongkong and several other Overseas Chinese leaders are coming to Chungking shortly to investigate industrial conditions in the interior.

The Commission on Overseas Affairs, the Ministry of Social Welfare, the Chungking Municipal Government and other government organisations concerned, are making preparations to welcome them.

Native Sympathy For
Allied Cause

LONDON, Feb. 19 (Reuters).—Natives of Tanganyika, in the areas of Waidizi and Ngunibi, are determined to play their part along with other citizens of the Empire in helping the London men and women rendered homeless through the "blitz".

They have donated respectively 80 and 125 head of cattle, their most cherished possession, to relieve the distress of the air-raid homeless.

DEBATE ON HONGKONG'S BUDGET FOR THE 1941-42 FINANCIAL YEAR

MR LO CRITICISES WAR TAXATION, FOOD CONTROL AND IMMIGRATION

The Hon. Mr M. K. Lo, dealing at length with the budget speech, expressed appreciation of the granting of financial aid to charitable and medical relief to China, and then went on to make an exhaustive study of the war taxation returns, concluding with a criticism of the administration of the Ordinance. He also expressed regret that it was proposed to increase death duties.

The text of Mr Lo's speech follows.

Sir, I have very little to say on the Budget now before this Council, which represents the result of the deliberations of the Select Committee to which the Draft Estimates were referred.

It is a matter for regret that certain desirable items have had to be deleted from the Draft Estimates. But, in view of the budgetary position and the uncertainty of the immediate economic position, the Unofficials have deemed such exclusions wise in the circumstances.

I personally regret that, owing to the general financial situation, the long-promised rebuilding of Queen's College has once more to be deferred.

My colleagues and I recently made representations to Government as to the imperative necessity of budgeting for a substantial amount in the then coming Estimates, to be allocated entirely to anti-tuberculosis measures and equipment. We felt strongly that much of the already heavy, though necessary, expenditure on the medical side would not be of much avail if the problem of tuberculosis, entailing such widespread illness, distress and mortality, were to be left untouched. Government has replied to the effect that it has been decided to defer a decision on this matter until the return to the Colony of Sir Geoffrey Northcote. I hope that before long something will be done in this regard.

I must say I am glad Government has budgeted \$150,000 for the establishment of an experimental agricultural station in the New Territories, and I hope that the result of the experiment to be made in regard to the disposal of night-soil in the New Territories, for which \$60,000, has been budgeted, will prove satisfactory.

I observe that the actual revenue for 1939 exceeded the estimated revenue by nearly 6½ million; that the actual revenue for 1939 exceeded the estimated revenue by over 5¼ million; and that the revised estimate of revenue for 15 months in respect of 1940/41 exceeded the original estimate by over 10 million. I can only hope that the current estimated revenue may amply prove to err in the same direction for the current year, so that funds may be available for so many important projects and social services.

In the Budget Debate held on November 9, 1939 I renewed, for the third successive year, a plea that Government might be kind enough to make a substantial grant for providing charitable and medical relief to the Chinese on account of the Sino-Japanese conflict. I am indeed happy that the Select Committee, with the unanimous approval of the Unofficial Members, has agreed to put in, under Head 5 Charitable Services, a donation of \$10,000 to the British Fund for the Relief of Distress in China, Hongkong and South



HON. MR M. K. LO

China Branch. I feel sure, Sir, that this gesture will be very much appreciated by the Chinese, and my colleagues and I tender our sincere thanks to His Excellency.

Sir, in the extremely able and lucid speech of my Honourable friend the Financial Secretary, in introducing the Budget, there were certain observations on the War Revenue Ordinance with which I must deal. But, before doing so, may I say how much impressed I have been by the way in which he has carried out his onerous duties as Financial Secretary during the difficult and turbulent times through which the Colony has passed since the departure of his distinguished predecessor? I venture to say that the frankness and candour with which he has always treated the Unofficial Members of this Council, and the courage, ability and devotion to the financial interests of the Colony, which characterise all his official actions, have won their united confidence, admiration and respect.

Now, to return to the Honourable the Financial Secretary's observations.

The Honourable the Financial Secretary, in his Budget speech on January 10, 1941, quoted some remarks he had made when he introduced the War Revenue Bill in this Council in March of the preceding year. These remarks I can

only describe as damning the Ordinance with faint praise. He proceeded to say that Government felt "in view of the change in the financial position and the situation disclosed by the actual receipts from the four War Taxes that the principles on which the taxation was based should be reconsidered."

Now, what are the facts? After one of the bitterest controversies which the Colony has ever known, the Bill was introduced to the Council on March 14, 1940 with the unanimous general approval of this Council. The statements published from time to time in the Press as having been made by the War Revenue Department that the levying of the taxes was proceeding smoothly would appear to point to the gratifying fact that the hope expressed by the War Revenue Committee, and re-echoed in this Council, that there should be no attempt at evasion in view of the purpose for which the proceeds of the taxes were to be used, has been fulfilled.

Although the yield under this Ordinance was originally estimated to be six million, the revised estimate yield is nearly ten million (which, incidentally, is the amount of the estimated yield for the full Income Tax Bill), and this in spite of the fact that it is universally accepted that the yield of a tax of this kind can never be brought to full fruition during the first few years.

Personally I should have thought that such an unexpected and gratifying result of a measure which had received such striking unanimity of support in this Council would have merited an acknowledgment from Government more gracious and fitting than the strictures which the Honourable the Financial Secretary felt bound once more to pass on it. The Honourable the Financial Secretary observed that far be it from him "to seek to resuscitate a controversy which is dead and buried." I am entirely with him in this attitude. But may I remind Honourable Members of certain facts and circumstances in regard to the introduction of the War Revenue Ordinance?

On December 4, 1939 Mr Caine addressed a letter to each member of the Committee, in which he stated:—

"I enclose some 'suggestions' for a draft report of the Income Tax Committee. I am not circulating them as an official Committee document because they represent what I have said to the Committee will be prepared to agree to rather than what has so far been agreed. In view, however, of my approaching departure I thought it might be helpful to put my own ideas on paper."

Let me, then, quote from certain relevant paragraphs of his report:—

"3. . . . We examined a great many suggestions . . . We rejected, either unanimously or by substantial majorities, by far the greater number of these proposals because they either did not fulfil the conditions laid down by our terms of reference or would yield revenue too small to justify their imposition."

"The best alternative means of imposing taxation of approximately the same incidence as the proposed Income Tax appeared to be a combination of taxes assessed on property, on salaries and analogous incomes and on business profits made in the Colony on buses and at rates calculated to impose a very broadly equal degree of sacrifice on the several classes of persons affected. Such a combination of taxes would constitute a partial income tax, covering much the greater part of the income which would be liable to a full income tax but freed of many complications owing to its being partial in scope and only approximately adjusted to individual ability to pay. In particular much of the enquiry into personal circumstances which is apprehended from the administration of income tax should be avoided."

Mr Caine's Estimate

"6. It is if anything more difficult to assess the probable annual yield of these taxes than that of an income tax, but the estimate of Mr S. Caine, then Financial Secretary, was as follows:—

Corporation Profits Tax)	\$ 3,000,000
Business " "	\$ 1,000,000
Salaries Tax " "	\$ 2,000,000
Property Tax " "	\$ 6,000,000

In comparing this with the estimate of \$10,000,000 from a full income tax it should be remembered that

(a) Income subject to Kingdom Income Tax is almost entirely exempted under the new Bill. Several important companies are thus outside its scope altogether.

(b) Profits tax will be applied only to profits made in Hongkong, whereas income tax would have been applied to all profits of resident persons, including companies registered here, wherever made.

(c) Other income from abroad will not be taxed at all under the new Bill.

It was, however, repeatedly emphasized by the official representatives on the Committee that Government was not seeking to raise any

particular sum of money but to impose a reasonable burden of taxation and we consider that the rates of tax proposed do impose such a reasonable burden."

"6. We therefore recommend that Government should proceed with measures on the lines of the attached Bill. If the revenue obtained is inadequate consideration should be given to the adoption of some or all of the items referred to at the beginning of paragraph 4; . . .

In a note prepared by Mr Caine on "Principal differences between the 'War Revenue Bill' and the 'Income Tax Bill'" he states:—

"1. General.

"An Income Tax seeks to tax every source of each individual's income and to make allowances for his family responsibilities and other individual circumstances. Although much may be collected at the source it is ultimately an individual tax and may entail much enquiry into personal affairs."

The new Bill proposes to take each of the main classes of income separately and tax them at rates adjusted only approximately to capacity to pay. At some sacrifice of the refinements of an income tax it thus avoids many problems which arise in the administration of those refinements and removes some of the features of income tax which are objectionable to the public."

Without Misgivings

Such, Sir, were the views of Mr Caine. He had made it plain that he was in favour of a straight income tax measure. But he himself was the author of the Ordinance now in force, and he put it forth as a compromise measure without any trace of reluctance, and certainly without any misgivings as to there being any inequity in its incidence.

The Honourable the Financial Secretary said: "Although the War Revenue Ordinance has secured considerably more revenue than was anticipated it has failed to secure enough to meet the revised war expenditure either in the current year or in 1941/42."

Pausing here I should like to point out that the position he now takes up is fundamentally opposite to that taken up by Government hitherto. As I pointed out in this Council on March 14, 1940, His Excellency Sir Geoffrey Northcote, in his speech in this Council on November 16, 1939, made it quite clear that Government did not determine to raise a war budget revenue in any pre-determined sum; in other words, the Government's attitude was that as regards war expenditure, that expenditure was to be limited to the sum obtainable by the War Revenue Ordinance, and that the Colony had to find a specified amount.

The Financial Secretary points out that according to the revised estimate, salary tax will bring in \$1,000,000 as was anticipated; property tax \$2,300,000 as against \$2,000,000 as was anticipated; whilst corporation and business tax should bring in \$6,400,000 as against \$5,000,000 anticipated. But he adds, as regards the latter item: "This figure includes not less than \$5,500,000 in respect of corporation profits and only \$900,000 in respect of business profits, which is disappointingly small."

Not Surprised

Sir, this is the whole case for suggesting that the principles on which taxation is based should be reconsidered. I can see no ground for surprise that the business profits tax should yield something just under one million, as against the unexpectedly larger yield of corporation profits. Mr Caine never attempted anything more than a guess of the combined yield of the corporation and business profits tax, for the simple reason that there were no accurate data available. Nor can I see how the yield of the taxes as above indicated can afford any evidence that the incidence is not spread fairly over the community. It may well be that, in order to produce more revenue, some alterations will have to be made in the Ordinance. As I do not wish to anticipate in any way the findings of the Committee which Your Excellency has constituted I abstain from further comment.

Serious Criticism

I regret that I now come to a point of serious criticism against the administration of the War Revenue Ordinance. In the Report of Mr Caine, to which I have referred, he made it quite plain that "Partnerships will be assessed as a whole and no enquiry whatever will be necessary into the division of profits between partners." The Honourable the Financial Secretary himself, in introducing this Bill in March 1940, said:

"The third and fourth taxes are respectively a corporation profits tax and a business profits tax on profits made in the Colony . . . and which is levied on the business, and not on individual persons, so that no enquiry as to the ownership of the business and the division of the profits is involved. There is, in the circumstances, no deduction in respect of personal and family allowances."

In spite of the history of this matter, and of the official declarations to which I have referred, I am sorry to have to state openly in this Council



HON. MR S. H. DODWELL

that examiners have sought to get Chinese firms to disclose the names of the partners constituting the firms. I should have thought it impossible that any Government official would proceed counter to one of the fundamental bases of the taxation, and I look to the Honourable the Financial Secretary, as the Commissioner under the War Revenue Ordinance, to see to it that his subordinate officers do carry out completely the spirit of the framers of the legislation, in accordance with the solemn declarations of Government.

Death Duties

The Honourable the Financial Secretary has intimated that Government proposes to increase the Death Duties. I appreciate that Honourable Members will have an opportunity of discussing this question when the necessary amending Bill is before this Council. But in the meantime I wish to make a few general observations.

The Report of the Taxation Committee published as Sessional Paper No. 2 (1939) contained the following observation on the question of Death Duties:

"Any further revenue under this head should be obtained by an increase in the rates of Estate Duty rather than by the introduction of other methods of taxing property on death, e.g. Legacy or Succession Duties; but we consider the present rates, which were fairly recently increased to a maximum of 20%, high enough in the circumstances of Hongkong, where the much higher rates prevailing in, e.g., the United Kingdom, would add greatly to the incentive of evasion."

That report was dated April 5, 1939, and I am not aware of circumstances which have arisen between then and now which render that deliberate expression of view no longer sound.

As to how far evasion of death duties exists I do not feel competent to speak. But of this I am quite certain. If evasion could be prevented by zeal and vigilance it would have been effectively stopped by now, because I can imagine no one possessing greater zeal, and exercising greater vigilance, than the present holder of the office of Superintendent of Inland Revenue and Estate Duty Commissioner, for whom, if he will allow me to say so, I hold a high regard. Indeed, I go further and say that it is the deliberate view of the legal profession as a whole that the zeal and vigilance exhibited by this conscientious officer have been so excessive in many cases as to occasion unjustifiable delay, inconvenience and expense to bona fide applicants for legal representation.

The powers conferred on the Estate Duty Commissioner for investigating every estate are necessarily wide. But I suggest that in wielding such great powers regard should be had to the presence or absence of grounds for suspicion of evasion of duty, and that under normal circumstances the Estate Duty Commissioner should not attempt to reopen and resuscitate matters adjudicated upon a long time ago.

It should be well known to Government that family inheritance has always constituted a very important part of Chinese family life, and I do submit that excessive rates of legacy and death duties, by delaying legal representation, and harsh administration of the Estate Duty Ordinance, all constitute great incentive to evasion. Sir, the Unofficial Members of this Council, as well as the Chinese Members of Councils, have had occasion to make various representations to Government on certain aspects of Government Administration during the past year. Pending their final outcome I feel it my duty to make a few general observations.

Food Control

To begin with I wish to say a few words on the question of Food Control.

The task of a Food Controller is obviously one of very great difficulty, and due allowance must be made for the fact that many things would have to be done in a hurry. I submit that the indispensable qualification of any Food Controller must be some commercial knowledge and experience, and, however well qualified in the theory of economics and conscientious in the discharge of his duties, the present Food Controller has had no commercial experience. The record of his administration has not inspired confidence that in an emergency all will be well as regards the question of food supply, and I record in this Council my grave doubt as to his ability in turning over certain re-



HON. MR J. J. PATERSON

serve food stocks—though the quantities purchased are infinitesimal to the quantities originally proposed—without very serious losses arising. We know that the Food Controller has now delegated his powers in regard to rice to a business man more conversant with the subject.

Firewood

I come now to the question of Firewood.

I understand that Government has at long last taken, or is taking, definite steps for the importation of firewood into the Colony. The Chinese Members of Council had urged Government to take such a step even before His Excellency Sir Geoffrey Northcote left the Colony on leave. On August 3, 1940 a memorandum on this question was sent to Government, wherein it was urged that Government should requisition steamers for the purpose of importing firewood into Hongkong. I feel that the Chinese community has every reason to be dissatisfied with Government's inactivity over such a lengthy period, in relieving the acute shortage of firewood, which has caused so much hardship to the community, especially the poor.

Another matter, Sir, which has given rise to grave dissatisfaction, is the administration of the Immigration Ordinance. When I spoke in this Council on the Second Reading of the Bill I thought that the effect of this measure on the Colony depended very largely on how it would be administered by the Immigration Officer, and I then stated that my colleagues and I intended to maintain a close interest in the operation of this measure, and that we should have no hesitation in making to Government any representations which we might consider it our duty so to do.

Cannot Acquiesce

I know that the Immigration Officer has not spared himself in the discharge of his very difficult duties. But I do say that whatever may be the explanation, the Chinese community cannot be expected to acquiesce in the continued administration of a measure which compels people to wait for long hours outside the Immigration Office, herded together like cattle, in order to get a permit or to get back a deposit.

Apart from the question of administrative machinery there have been numerous complaints of sheer rudeness and offensive conduct on the part of the officers of this Department. Civil Servants should be civil servants; they may be a familiar witicism, but I suggest that it embodies a wholesome admonition to which Civil Servants in Hongkong should pay serious heed. A most unfavourable impression has already been created on visitors to the Colony, and I do seriously appeal to officers of the Immigration Department to remember that they are being paid by local taxpayers to perform their duties and not to show off their own impudence.

Sir, I do say deliberately that either the administration of the Immigration measure is radically improved—and I submit that it can, and should, be improved—or that measure should be dropped altogether.

Tribute To H.E.

Sir, His Excellency has assumed the administration of this Colony during a period which is one of the most critical periods of the British Empire. It is not surprising that the difficulty of the situation should have its repercussions on the Colony. The Chinese community gratefully appreciates His Excellency's concern and labour for the well-being and security of the Colony, as exemplified by his initiative in providing the population with air raid shelters, in the construction of which he has taken such a keen personal interest. Since his arrival in the Colony the Chinese Members of Council have had to make numerous representations to him, and on their behalf, and also on my own, I desire to tender to His Excellency an expression of our deep gratitude for the sympathetic manner in which he has invariably received those representations, and his ever-ready desire to give effect to them as far as possible.

May I, Sir, also tender our thanks to you, as Colonial Secretary, for the invariable courtesy which you have shown to the Unofficial Members. My colleagues and I desire to pay warm tribute to you for the conspicuous ability which you have shown as His Excellency's chief adviser, which is such a well-known characteristic of our esteemed Colonial Secretary.

Continued on Page 6



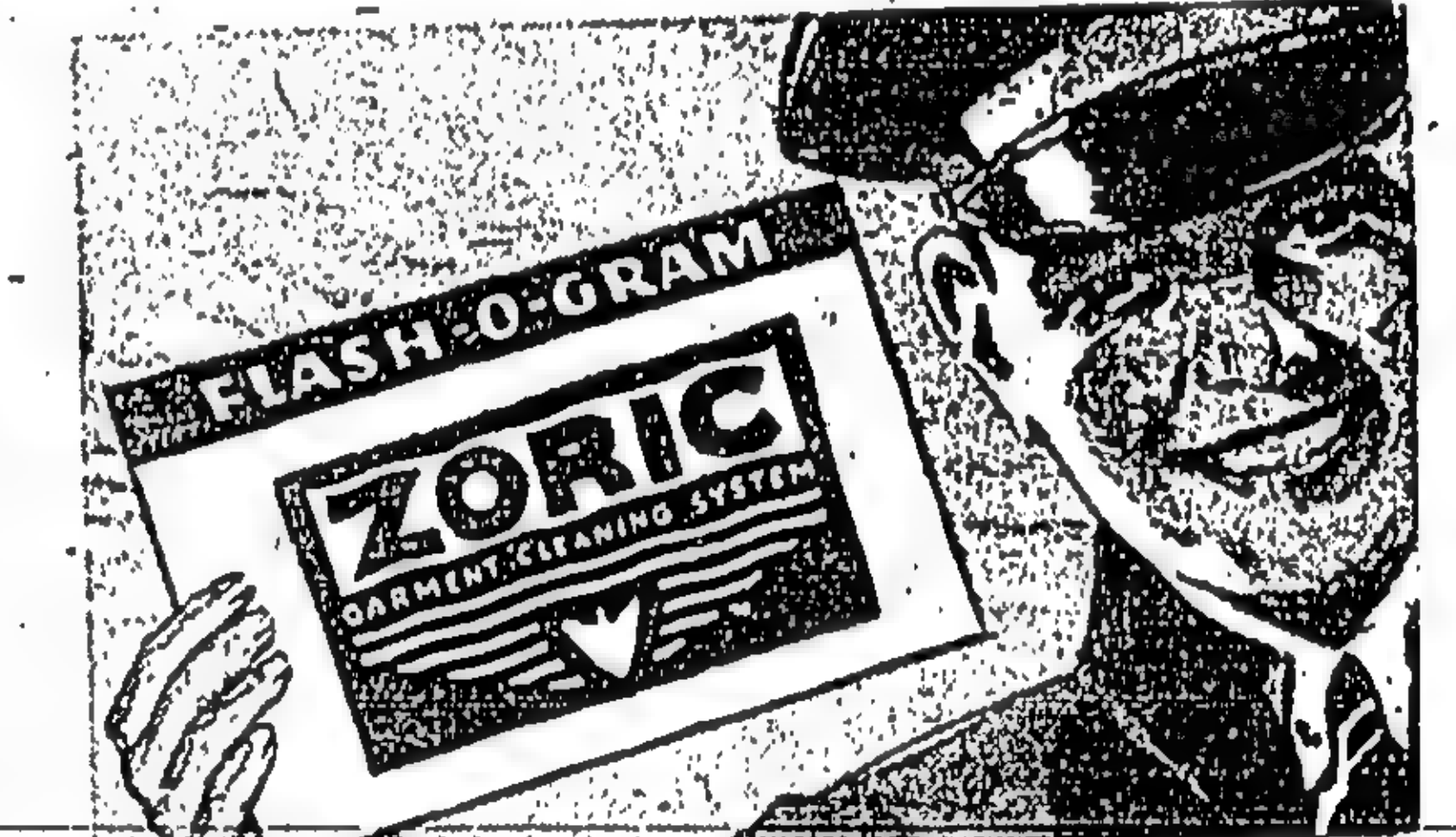
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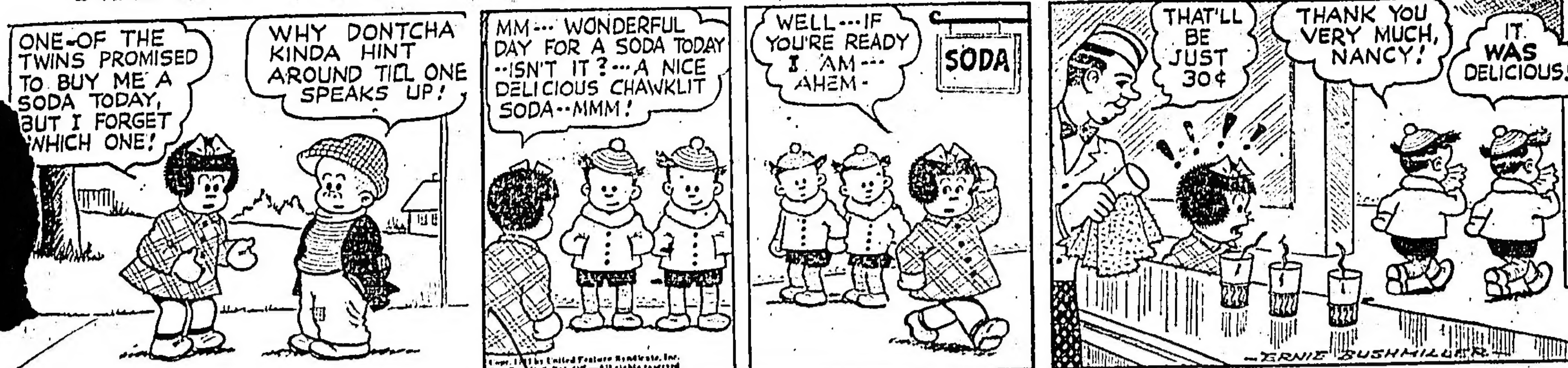


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NANCY

By Ernie Bushmiller



Ethiopians Co-operate In Capture of Dangila

KHARTOUM, Feb. 19 (Reuter).—Dangila, 40 miles south-west of Lake Tana, the fall of which was briefly reported yesterday, strategically controls the whole of Gogjam province and the Italians had stationed there a Blackshirt division with other white troops though it is doubtful whether these troops were there when the town fell.

The abandonment of the town on Monday was the result of guerilla pressure during the past few weeks by Haile Selassie's patriots, led by a British officer. They on occasions approached within a few feet of the town's strong defences.

Five days of close attacks followed. As the final blow was struck, co-operation with the R.A.F. and messages received from the planes enabled the patriots to capture some members of the garrison as they left during the bombardment. The remainder of the garrison, retreating to the north-east towards Bahdar Giorgis, a town on the southern point of Lake Tana, were hurried by a small Abyssinian force.

Edge of Plateau
Dangila stands on the edge of the northern escarpment of the Abyssinian plateau, 7,000 feet up, at the junction of the old caravan routes to Addis Ababa from Galabat on the Sudan border and from Hesel on the Blue Nile in Anglo-Egyptian Sudan. The population is small but since Italian occupation roads have been built along the caravan routes, facilitating an exchange of local products, wheat, barley and coffee with goods from other centres.

Women Also Fighting
LONDON, Feb. 19 (Reuter).—Some Abyssinian women are fighting alongside their menfolk in the ranks of the Abyssinian patriots.

This was revealed to-night by Princess Tshai, daughter of Haile Selassie, in a broadcast speech. Princess Tshai, who appealed for gifts of clothing for the Abyssinian fighters, has lived in Britain for five years in exile. She announced that she hoped shortly to join an ambulance unit which is leaving for Abyssinia under the leadership of an Australian surgeon.

In Somaliland
NAIROBI, Feb. 19 (Reuter).—Increasing British pressure on the lines of the river Juba in Somaliland is announced in a communique here to-night. The communique says that the enemy counter-attacked and

Australia Does Not Invite War

MELBOURNE, Feb. 19 (Reuter).—Government had taken added precautions against a sudden emergency after reviewing Australia's defence system, said the Acting Prime Minister, Mr. A. W. Fadden, in a speech here to-day.

No action would be taken and no word spoken, he said, which would shatter peace in the Pacific. "If war comes to our front door, it will not be of our choosing. Let nobody think that we are helpless and unprepared for such a supreme test."

Knudsen On Strikes

Defence Work Unimpaired

SPECIAL TO THE "TELEGRAPH"
WASHINGTON, Feb. 20 (UP).—The Director of the Emergency Management Board, Mr. William Knudsen, testifying before the House Judiciary Committee to-day asserted that strikes had not delayed the defence programme.

He said that events proceeding the collapse of France indicated that "over-all legislation on wages and working conditions was not desirable."

18 Strikes On Now
SPECIAL TO THE "TELEGRAPH"
NEW YORK, Feb. 20 (UP).—There are 18 strikes in defence industries throughout the nation at present affecting 22,000 workers and Government orders valued at \$85,000,000 the largest of which is Ailsa Chalmers plant in Milwaukee where the production of \$40,000,000 worth of trucks and tanks has been delayed since February 2.

Mr Menzies
LISBON, Feb. 20 (UP).—Mr. R. C. Menzies, the Australian Premier, accompanied by his aides, arrived here to-day from North Africa, en route to London.

No Satisfaction Yet On The Tangier Issue

LONDON, Feb. 19 (Reuter).—The Anglo-Spanish negotiations over Tangier are still hanging fire. The Under-Secretary for Foreign Affairs told questioners in the House of Commons to-day that he regretted that he was still not in a position to make a final statement.

The Labour Member, Mr. F. Cocks, asked whether the Spanish pledge that the neutrality of Tangier carried an assurance that Tangier would not be used as a base for operations against French Morocco.

Mr. Butler, on behalf of Mr. Eden, refused to accept the implications which appeared in that query.

The Liberal Member, Mr. Geoffrey Le Mander, asked: "What is holding up a settlement in view of the fact that many weeks, if not months ago, unilateral action was taken in abuse of British rights? Is it not time that we got some satisfaction?"

Mr. Butler said that Mr. Mander's view was shared by the Government and added that the Spanish Foreign Minister had been away from Madrid and that accounted partly for the delay.

Mr. Eden had already said that negotiations had been proceeding satisfactorily.

Enemy Shipping Losses

LONDON, Feb. 19 (Reuter).—Enemy merchant shipping losses have been increased by 257,000 tons since January 7, according to authoritative sources in London.

These losses included ships sunk or captured at Derna Tobruk and Benghazi.

British and Allied losses between January 5 and February 10 totalled 248,493 tons.

BURMA PLEASED
Congratulations To Leaders Of Middle East Forces
RANGOON, Feb. 19 (Reuter).—The Senate unanimously expressed satisfaction at the glorious successes of the Imperial troops in Africa and desired that the heartiest congratulations be conveyed to General Sir Archibald Wavell, Lieut.-Gen. Sir Henry Blundell and Admiral Sir Andrew Browne Cunningham.

Government-Ordered British Railways

LONDON, Feb. 19 (British Wireless).—Following the pooling of the receipts of the main British railway systems from September 1, 1939, by Government order, the estimates for the year ended December 31, 1940, show the total income to have been £247,992,000 and expenditure £203,180,000, leaving a net revenue of £44,812,000. The net revenue for the full year guaranteed by the Government was £39,850,000.

British Parachutists Exercise on Moors

LONDON, Feb. 19 (Reuter).—Many generals and R.A.F. officers and their staffs, including General Sir John Dill, Chief of the Imperial General Staff, General Sir Alan Brooke, Commander-in-Chief, Home Forces, Air Marshal Sir Arthur Barratt, Air Officer Commanding-in-Chief, Army Co-operation Command of the R.A.F., and General Viscount Gort were present at parachute exercises in the moorlands, states the Air Ministry.

Over a bleak stretch of moorland, an R.A.F. troop-carrier emerged from the clouds and suddenly the officers saw parachutists dropped from it one after another. Before the plane had disappeared into the cloud again, all the men had landed, unharnessed their parachutes and had silently prepared to attack a remote village enemy objective, which was a small imaginary factory where a known high percentage and some of the most senior officers of the enemy High Command were to watch a private demonstration of a new weapon being made there.

While this was gathering, British leading Army and Air Force commanders were waiting on the moor. The R.A.F. troop-carrier unexpectedly came through the clouds in bad weather demonstrating the surprise nature of the attack.

Factory Besieged

In accordance with the pre-arranged plan, the troops, weapons ready for action, rushed to the factory which, though isolated, was guarded by sentries and employed about 50 civilian workers.

It was assumed for the purpose of the exercise that the greatest care had been taken by the enemy to preserve the secrecy of the rendezvous and it was the duty of the parachute troops to surround the objective until the arrival of more to act as demolition parties in the destruction of the factory, machinery and military personnel.

The exercise was most impressive and showed the potentialities of this method of attack and also proved the efficiency of co-operation between the R.A.F. and the Army.

N.E.I. Oil Sought By Japan

LONDON, Feb. 19 (Reuter).—The Netherlands East Indies Government has received a Japanese request to explore oil areas in the Netherlands East Indies and has indicated its willingness to specify certain areas which could be explored, according to a Japanese report.

The Dutch authorities, however, are reported to have signified their willingness on condition that Dutch observers accompany the Japanese surveyors.

India's Railways Yield Big Profit

NEW DELHI, Feb. 19 (Reuter).—An unprecedented large surplus of nearly £11,000,000 (exceeding by over 27½ millions the previous year's surplus) is revealed in the railway budget for 1940-41. In presenting the budget the Government spokesman said that traffic connected with the war effort was the predominant factor and, furthermore, 305 miles of railway had been dismantled during the year for the purposes of economy.

All available skilled labour, material and machine tools required for war work, particularly munitions, and many workshops were now entirely employed in war work.



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"Pilgrim's" Hockey Notes

Importance Of Correct Footwork And Balance Shooting, Passing And Tackling Improved By Concentration

FEW PEOPLE seem to realise the importance which is attached to footwork in playing hockey. If one takes up any of the many useful books on the game, one finds little or no reference to this important phase of play. But a little consideration will show how much really depends on footwork.

A remark one so often hears is "I wonder how so-and-so shoots so hard with so little effort. He never gives sticks, and seems to take his stick back a very short distance before hitting the ball, yet he shoots with great strength."

The answer usually was that the striker possessed strong wrists; and that was usually accepted as conclusive. But if someone were inclined to probe the matter further, the additional reason of timing would be advanced. This argument certainly carried the matter nearer to the correct solution, but I venture to say that not even the two reasons together supply the true answer.

The correct answer, to my mind, is footwork, because without the correct placing of the feet the suppleness of wrists is discounted, and, consequently, correct timing is merely a matter of luck.

To time the ball correctly and to attain the maximum power with the

SPORTS ADVT.

THE HONG KONG JOCKEY CLUB

ANNUAL RACE MEETING, 1941

Postponed to:—
Third Day — Saturday, 22nd February
Fourth Day — Sunday, 23rd February
Fifth Day — Saturday, 1st March
On Saturday, 22nd, and Monday, 24th February, the first race will be run at 11.00 a.m., and the first race will be run at 11.30 a.m. On Saturday, 1st March, the first race will be run at 1.30 p.m., and the first race will be run at 2.00 p.m.
The fifth interval will be after the fifth race on the third and fourth days.

MEMBERS' BADGES AND ENCLOSURES

Members are reminded that they and their ladies MUST wear their badges prominently displayed throughout the Meeting.
NO ONE WITHOUT A BADGE WILL BE ADMITTED TO THE MEMBERS' ENCLOSURE.

Badges admitting non-members to the Members' Enclosure and Club Rooms at \$10.00 per day including tax—or \$40.00 including tax for the Meeting (Quota: \$5.00 and \$20.00 respectively), are obtainable through the Secretary upon the written or personal introduction of a member, such member to be responsible for all bills, etc.

Badges admitting to Members' Enclosure will NOT be on sale at the Race Course.

The Secretary's Office, 1st floor, EXCHANGE BUILDING, (Tel. 27704) WILL CLOSE AT 9.45 a.m. ON THE FIRST FOUR DAYS, and at 11.45 a.m. ON THE FIFTH DAY.

A limited number of tickets will be obtainable each day at the Club House, provided they are ordered in advance, from the No. 1 Day, (Tel. 21920).

NO CHILDREN WILL BE ADMITTED TO THE CLUB'S PREMISES DURING THE MEETING.

PUBLIC ENCLOSURE
The price of admission to the Public Enclosure is \$2.00 per day including tax for all persons including ladies, and is payable at the Gate.

Soldiers and Sailors in uniform are admitted to the Public Enclosure at \$1.00 per day including tax.

Bookmakers, Tie Tac men, etc., will not be permitted to operate within the precincts of The Hong Kong Jockey Club during the Race Meeting.

Tickets will be obtainable in the Restaurant in the Public Enclosure.

SERVANTS' PASSES
Passes for Servants will be issued to Private Box holders ONLY on application to the Secretary, 1st floor, Exchange Building.

Any persons found loitering with Servants' passes in their possession will forfeit the same and will be removed from the Enclosure.

By Order,

O. B. BROWN,
Secretary.
Hongkong, 10th February, 1941.

Badminton

St John's Beat St Andrews "B" Division Match

ST JOHN'S Cathedral badminton team, mainly through the superiority of their two first pairs, D. Kwok and H. Eardley, and N. L. Smith and P. B. Wilson, triumphed 6-3 over St Andrews in a "B" Division fixture at the latter's court last night. G. S. Ladd and F. Maynard, St John's third pair, lost all three matches.
Closest game of the evening was that between A. E. Brown and S. A. Gray (St Andrews) and Kwok and Eardley. The final score was 22-21 in the latter's favour.
Scores were:
S. P. Fincher and E. Kew lost to D. Kwok and H. Eardley 12-21; lost to N. L. Smith and P. B. Wilson 12-21; beat P. Ladd and F. Maynard 21-12.
A. E. Brown and S. A. Gray lost to Kwok and Eardley 22-24; lost to Smith and Wilson 12-21; beat Ladd and Maynard 21-14.

League Table

Section "B"

K.C.C.	P	W	L	F	A	Pts
St John's	6	4	2	30	12	12
St Andrews	6	4	2	27	17	12
K. Tong	6	4	2	24	30	4
Police	6	4	2	11	43	4

minimum effort requires balance—and balance means footwork. The man who is quickly off the mark, who does not fall over on slippery ground, and who sidesteps and turns with ease is the man whose footwork is sound.

Observation

ANYONE who is inclined to be sceptical about taking an early opportunity of watching a really first-class player in action. Look at little else but this particularly player's feet, and it should be an eye-opener.
This, of course, is no new theory. Footwork has long been recognised as the most essential factor in the success of the best players at cricket, soccer, boxing, lawn tennis and golf, and there is no reason to suppose that the essentials for those games are less important in hockey.

Of Importance

NOT is it less important that anyone's footwork should be correct in incidents of the game other than when actually shooting. In preparing to tackle, in making a pass, the placing of one's feet go to the making of both easier.
To give an illustration: In making a hard push pass to the right it is immeasurably easier if the left foot is well in advance at the moment pressure is applied to the ball.
The weight is on the left foot, and the body is at the right angle to give the necessary impetus to assist the wrists. This has been my own experience, and though some may say they find it easier with the right foot in advance, it does not destroy the argument, for the feet are placed for the stroke intended. The movement, consequently, is not being executed haphazardly.

Similarly, when reaching out with the right hand to tackle, it is better for the right foot to be in advance.
(a) because it gives greater range, and
(b) because, after the lunge, if the ball is collared, the weight of the body brings the left foot forward into the correct position to carry on.

Left Foot Position

IN shooting, it will be generally admitted that the left foot should be in advance of the right so that at the moment of impact the weight of the body should be on the left foot.
This, of course, is the ideal, and I am not for a moment suggesting that many other goals are not scored with the feet otherwise placed, for often there is no time even to adjust one's balance—but speaking generally, it will be found to be correct.

RANDOM JOTTINGS

C.B.A. Beaten By Macao

C.B.A. visited Macao last Sunday and suffered defeat by 3-1. Macao will be visiting the Colony next Sunday, and are down to meet the Club de Recreio at 10.30 a.m.

Though our next door neighbours have taken less interest in the game this year than they have for many seasons, this is no reason why we should underestimate their strength.

A 3-1 victory against the C.B.A., one of the best teams in the League, is no mean achievement, and I shall not be surprised if Recreio meet with their first reverse this season.

It is true that C.B.A. minus their Service players—P. S. M. Ure and L. Cpl. Dunne—were not at full strength, but their defence is always a force to be reckoned with, and the team itself included five Interport selections.

I hope the Selectors will be present in full force at King's Park next Sunday, and pay particular attention to our opponents in action. A good game is anticipated.

The umpires will be Cpl. Hodge (R. Signals) and K. Hussain.

MY reasons for suggesting that N. Whitley be played at left back, and Tony Alves at left half are:

Whitley, though a good attacking half, can only feed his forwards with ground passes which can always be intercepted. At back, his hard drives will be more advantageous.
He has partnered Bond in the League games on several occasions, while his recovery is far better than that of Gonzalez.
Alves is more consistent at left half, and his flick passes will be of great assistance to his forwards, and it is on the left flank that our attack is weakest. His reverse stick work is excellent.

These changes, in the estimation of many, will greatly strengthen our defence.

B. I. BICKFORD, the Club inside-left, due to an injury sustained at soccer, will, I understand, be out of the game for the rest of the season. He will be badly missed by the Club in the Quadrangular Tournament, and by the C.B.A. in their remaining League fixtures.

OWING to Volunteer Camps and bad weather, only one League fixture was played last week-end. R. Engineers beat the 2nd M.T.B.'s 14-0.

As far as I can remember this is the highest score ever recorded in League hockey. In the true sense of the phrase, the sailors must have been "all at sea."

TALK in hockey circles at the moment is whether there will be an International Tournament this year. This tourney for the past few years has been the most popular in the history of the H.K.H.A., and Clubs, in general, are very anxious that it should be continued.

Due to the late ending of the League fixtures last season it was abandoned to the disappointment of many, but I hope the Council of the H.K.H.A. will revive the tournament again.
There are at least seven countries—England, Portugal, India, Scotland, Ireland, Wales and China—who will participate.

Recreio And University Cricket Teams

The following will represent Club de Recreio in a Senior League Cricket match and a junior friendly match on Saturday:

1st XI v. K.C.C. (Away)—E. L. Gossain (Capt.), W. A. Reed, A. M. Rodrigues, M. Prata, H. L. O'Leary, L. G. Gossain, J. M. Gossain, G. N. Gossain, E. M. L. Soares, N. A. Leitao and P. M. N. da Silva Jr.
2nd XI v. H.K.C.C. (Home)—E. A. R. Barros (Capt.), A. E. Noronha, J. A. Barros, F. J. Remedios, M. A. Remedios, A. J. M. Prata, J. A. Soares, B. T. Gossain, A. H. Remedios, L. J. A. Remedios, V. Yvanovich Jr.

UNIVERSITY TEAMS

The following will represent Hong Kong University in senior and junior League Cricket matches on Saturday:
1st XI v. Civil Service (Away)—N. C. Sen Gupta, L. T. Hild, C. N. Matthews, W. S. Gegg, K. Y. Tam, J. Tait, G. Hong Choy, J. Fenton, K. B. Oh, Harshan Singh, S. Mahmood, Scorer: H. W. Jenkins.
2nd XI v. Craigflower (Home)—R. M. Soares, R. S. Gull, P. C. Lo, T. Chin, S. Amplayanar, D. Chelliah, E. Mathur, A. Ahmed, J. Amersall, C. W. Hoot, K. S. Gull, Scorer: H. Ahmed.

Seven-a-side Rugby

Four Games At Happy Valley Yesterday

FURTHER PROGRESS was made in the Blarney Stone Seven-a-side rugby tournament yesterday when four matches were played at Happy Valley. The results of these were:

R. Engineers	5	8th R.A. "B"	0
Small Units "B"	3	12th R.A. "A"	0
Civil Service	6	Police "B"	3
Club "A"	14	M'sex "A"	0

Sappers led at half-time by 5-0, and though there was no scoring in the second period, the Royal Engineers were never pressed.

A 25-yard dribble between Davis and Martin, just before the interval, resulted in Davis touching down wide of the posts. Birrell added the points with an excellent kick.

Teams were:
Engineers: Jones; Pickett, Birrell; Foley; Martin; Davis; Sheldrake.
8th R.A. "B": Perry; Eastwood; Griffin; Jones; Holland; Humberstone; Taylor.

Small Units' Success

AN EXTRA PERIOD was necessary to decide the game between the Small Units and 12th Heavy Regiment "A". The former finally emerged winners by 3-0.

Tackling in this game was fine and low. Crew failed with a penalty for offside, and the interval score was 0-0.

Early in the second half, Edisson all but scored for the Gunners when he went away with a dribble, but was beaten by the bounce just over the line.

The winning try was scored in the first half of the extra period. Wigglesworth intercepted and run through the centre for a fine try that Crew failed to convert.

Teams were:
Small Units: McPherson; Lithour, Gracey; Whybro; Wigglesworth, Crew, Cooill.
12th Heavy Regiment "A": Edisson; Frost; Keebler; Foster; Smith; Dooley; Bompas.

Two Extra Periods

TWO EXTRA PERIODS were necessary to decide the close game between the Civil Service and Police "B". Civil Servants only just managed to collect the necessary three points to make the match go to the extra periods when one minute from the end of the game proper Morgan scored wide of the posts.

Redman failed to convert, otherwise the match would have been won then.

The first extra period was scoreless, but in the second half of the second period, Morgan sent a long pass to Forrow who swerved over for the deciding try.

Rose scored Police's try in the first half of the game proper.
Teams were:
Civil Service: A.J.C. Taylor; K. Forrow, T. O. Morgan; J. Redman; B. Hyne, P. Burford, E. W. R. Hackett.
Police: H. Jackson; Fay, Dingdale; Lewis; Hoadley, Scorer, Rose.

M'sex Trounced

CLUB "A" were far too good for Middlesex "A" and won by 14-0 after leading 6-0 at the interval. The speed of Stewart,

S'hai Football Ground Closed By F. A.

Sequel To Mob Demonstration

SPURRED ON by the fact that the members of the F.T.H. team in the referee of the game between the P.T.H. and Three Cultures recently narrowly escaped injuries at the hands of the partisan and unruly crowd of Chinese spectators at Kiaochow Park, and taking into consideration of the various other incidents at this ground, the Shanghai Football Association have decided not to schedule any more matches on this ground for the rest of the season.

This decision of the S.F.A. will undoubtedly meet with general approval of all soccer enthusiasts with the possible exception of the Chinese fans themselves, who will now be robbed of much of their week-end soccer fare and will now be restricted to watching matches at the Candelone and the Aurora University.

The text of the S.F.A. decision follows:
"In view of the unruly and unwarranted behaviour of the spectators at matches staged at the Kiaochow Park, and of the possibility of serious injury to both Officials and Players the Executive Committee have decided to suspend playing of Association matches at

To Tour Australia

At an emergency committee meeting last night the South China Football Association accepted the invitation of the Australian Soccer Football Association to send a team to Australia this year.
The team will probably sail at the end of April or early in May and is expected to be on tour for about three months.

Derby Sweep Sale Nears 1,000,000 Tickets

Just over 950,000 tickets for the Rooley Hill Derby had been sold up to this morning and as there are yet another two and a half days to go, the million mark is within sight.

Following are the handicaps for Saturday and Monday:

Saturday
7.—Chefoo Handicap, 5 Class, from the two-inches post, once round, and in—Bressey, 145; Chatterbox, 145; Dawn Star, 150; Eve of Hunting, 155; Eve of Peace, 159; Golden Cow, 155; King's Worthy, 140; Lovely Star, 150; Night View, 155; Comph, 145; Phoenix, 151; Pict Hein, 150; Portrush, 150; Royal Highness, 145; Royal Wedding, 150; 152; Salvage Master, 150; Scene View, 150; Smiling Time, 145; Soldier of Britain, 150; Sunlight View, 145; Sylvan-Jole, 140; The Taurus, 155; This Time, 155; Valorous, 150; West Lake, 150; Wilber, 150.

Monday
3.—Ladies' Purse, 3 Class, Two Miles—Albury, 140; A Roaring Time, 150; Brutus, 150; Daylight, 145; Conqueror, 140; Cruik, 152; Devonian, 142; Fair Chance, 140; Flying Dutchman, 155; Income Tax, 155; Ironbridge, 142; Piccadilly Jim, 150; Hvaler, 150; Rowan, 150; Springbush, 140; Sydney Lad, 150; Tornado Star, 140; Triumph Day, 142; Vixen Tor, 147.
4.—Victoria Stakes, One Mile—Beauty-light, 152; Burford, 155; Clobber, 147; Confusion Bay, 150; Craigavad, 140; Dupont Bay, 152; Eve of Harvest, 152; Eve of Heaven, 155; Gay Star, 155; Happy Eve, 145; Kentucky, 150; Lovelylight, 152; Mount-Hope, 145; Newlight, 150; O-Lan, 150; Racylight, 152; Spicylight, 155; White Diamond, 145.

Bidwell and Van Leeuwen was too much for the Soldiers.

Club scored in the first minute when Van Leeuwen went over for an unconverted try in the corner. Then just before half-time Thomson dived over at the right corner for another unconverted try.

Their third effort early in the second half saw Stewart touch down between the posts, and Bidwell added the points. Final tally came from Bidwell—another unconverted try.

Teams were:
Club A—H. van Leeuwen; D. H. Stewart; H. D. Bidwell; J. M. Thomson; P. Needham; A. F. Winkden; J. E. Heenan.
Middlesex A—Jackson; Weedon; Man; Jones; Berry; Dayly; Hewitt.

Players Suspended For Season

The Shanghai Football Association came down with a heavy hand when their League Management Committee met recently and suspended three players for the rest of the season, these players being members of the Fourth Marines, Jewish Recreation Club and St. Francis Xavier's College teams. The full list of decisions handed down by the Committee is as follows:

Honiball (SRC) strong caution.
Nicola (4th "A") suspended for rest of the season.
Klemann (4th "A") strong caution.
Sostin (Old West) caution.
Freidlander (JRC) suspended for rest of season.
Hafford (SFX) suspended for rest of season.
Three Clubs fined \$5.00 each for failing to provide correct line-men's flags.

This ground for the remainder of the season."

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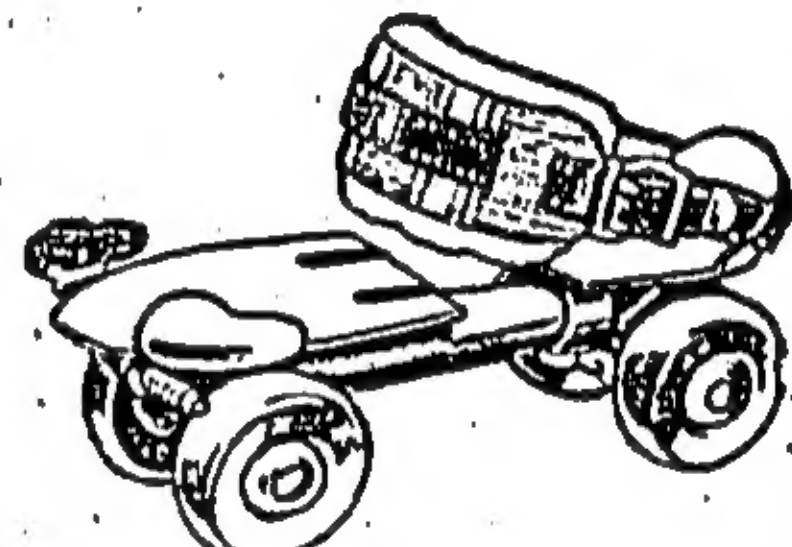
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TO-MORROW at the
KING'S THEATRE

UNOFFICIAL MEMBERS DEBATE HONGKONG'S FINANCIAL ESTIMATES FOR COMING YEAR

MR LI TSE-FONG WANTS TO SEE COLONY'S BIG FINANCIAL RESERVES USED FOR THE WAR EFFORT

An important feature of the Hon. Mr Li Tse-fong's speech was his reference to the big financial reserves which Hongkong now boasted and his suggestion that now was the time to make use of them. He suggested that a portion of the reserves might be set aside for the cost of the proposed building of two ships to be presented to the Admiralty, and the remainder to be used for carrying on defensive works in the Colony.

The Hon. Mr Li Tse-fong also covered other general matters, including war taxation, night soil, education, and the Immigration Department.

The Hon. Mr Li Tse-fong said: Your Excellency, the Hon. Financial Secretary in his speech on January 16, 1941, reviewing the financial position of the Colony, stressed the point that although the revised estimate anticipates a surplus of \$17,213,670 at the end of the present financial year, this surplus is largely a number. The Financial Secretary explained that a sum of over \$18,000,000 was classified as cash and advances. This represents a very high ratio in relation to the amount of revenue from ordinary sources.



Hon. Mr Li Tse-fong

Strong Financial Position

According to the financial statement published by Government on February 5, 1941, the Colony's net surplus at the end of 1940, was more than \$18,000,000, which was more than \$18,000,000 was classified as cash and advances. This represents a very high ratio in relation to the amount of revenue from ordinary sources.

If this Colony were a corporation I would certainly congratulate those in charge of its affairs on its very strong financial position. But as a Government it is open to criticism. It may be criticised that either it has failed to carry out and develop fully its social functions or it has taken more revenue than was necessary from the people by way of taxation. I submit, Sir, that this practice of keeping a surplus is a method adopted by Governments during the Middle Ages and has long been considered as a bad financial policy. It is well established in practical financial administration that surplus financing encourages extravagance and that there is no necessity whatever for a state to keep a surplus.

Fundamentally Wrong

I mention this not because I wish to suggest that the estimated deficit for the next financial year should be met by drawing on this surplus as I hope that there will be no necessity to do so. But I believe that this policy of accumulating surplus is fundamentally wrong.

I admit that the existence of a large surplus gives a certain degree of convenience to the administration because it has at its disposal, what one may call, a special fund from which it can draw for the purpose of financing public works. However I venture to say that this practice of drawing upon the surplus to finance public works is conducive to good financial organisation and careful budgeting. With a surplus to fall back on there is a possible temptation on the part of the administration in presenting its annual budget to the legislature to withhold a complete statement of its needs for fear that its estimates may be cut down. Another possible abuse of the use of the surplus is that the administration may be spending public money first before coming to the legislative body for approval.

Time To Use Surplus

It may be said in favour of this policy that it is maintaining a surplus is to have a reserve in case of emergency. If that was the intention, I think the present moment is the proper time to make use of such surplus. A portion of it may be set aside for the cost of the proposed building of two ships to be presented to the Admiralty and the remainder can be used for carrying on defensive works in the Colony. If Government were to agree to this course, there would be no deficit in next year's budget and no necessity to curtail its social services. Indeed all social services can be further expanded with revenue coming in from ordinary sources.

It is evident from the operation of the War Revenue Ordinance that the taxable ability of the community is extremely good as well as extremely flexible. I submit, Sir, that this ability and flexibility of our taxation system constitute the real reserve of our financial power which has stood the test of time remarkably well.

General Policy

I will now pass on to make some general remarks on the estimates for the next financial year. The figures in the estimates have been carefully considered and closely scrutinised by the Select Committee of this Council and I will confine my remarks to the general policy in connection with them.

Before I offer my views I wish to state that I am in general agreement with the remarks made by my Senior Chinese Colleague in regard to the War Revenue Ordinance, and Death Duties and his criticism of the working of the Food Control Department and the Immigration Department.

Among the proposals for increased taxation for the purpose of raising further revenue, the Financial Secretary has suggested three alternatives which are briefly as follows:

- (1) To increase the existing rates under the present War Revenue Ordinance.
- (2) To amend the present War Revenue Ordinance.
- (3) To impose a "proper" Income Tax.

War Revenue Ordinance

I do not intend to deal with these suggestions to-day but I wish to state that, as far as revenue is concerned, the operation of the War Revenue Ordinance appears to be highly satisfactory.

I gather from the Financial Secretary that he is quite satisfied with the yield of the Property Tax, the Salaries Tax and the Corporation Tax. Indeed Corporation Tax alone is expected to bring in no less than \$5,000,000 against an estimated return of \$6,000,000 from the four taxes imposed by the War Revenue Ordinance. As far as I can see the Financial Secretary's main disappointment is in connection with the smaller return from Profit Tax, which is expected to produce a revenue of \$900,000 only. It should, however, be remembered that the War Revenue Ordinance has only been in operation for less than a year and that a tax time before it can be effective.

Scope Of Tax

It is quite true that businesses include all non-corporation firms and professional men who do not pay Salaries Tax, but it must not be overlooked that the majority of these non-corporation firms consist mainly of small shopkeepers whose capital, as a rule, is small. If there were obvious evasion and unfair incidence, I venture to think that the remedy is to amend the War Revenue Ordinance.

Your Excellency has already reconstituted the War Revenue Committee in order that the Committee may re-examine and advise Government on the existing measures of war taxation in the light of the Colony's present financial position and the actual receipts from the four taxes imposed by the War Revenue Ordinance. It is the task of this Committee to find some practical solution and to give Government advice as to the best means of raising revenue to meet War expenditure under prevailing conditions. I will therefore abstain from making further comments.

Nightsoil And U.C.

With regard to the provisions for the daily collection of nightsoil to be undertaken by Government, I understand that such provisions would not be carried out if there were no sign of any improvement in the Colony's finance. I do not think that it is quite correct to say that the Urban Council, of which I am a member, has definitely suggested that Government to put an increase of one per cent on rates in order to meet expenditures on this undertaking. As a matter of fact when this matter was brought up for consideration, the question of finance had not been discussed. I consider that it is not fair to place the entire burden on property owners without regard to the fact that some of the tenements have water flush systems. I wish to point out that this responsibility of daily collection of nightsoil, if undertaken by Government, is a service rendered to a particular class of the community and that class should pay for it.

My Chinese colleague, Hon. Mr Tam has spoken very fully on this subject. While I agree that the scheme sponsored by the Urban Council is an improvement, I feel that unless Government is in a position to carry out that scheme in full, the alternative method mentioned by Mr Tam in dealing with the existing system appears to be a practical one.

Education Subsidy

In the matter of education I welcome the provision for a new subsidy code for vernacular schools which makes generous provisions for subsidies to schools on the basis of approved expenditures on salaries of teachers and rent of school buildings.

As a member of the Board of Education I firmly believe that in the educational system of this Colony it is Chinese primary education which urgently needs development. At the present time the development of Chinese primary education is left almost entirely in the hands of private enterprises and I do not think that a satisfactory system can be achieved without Government taking a leading part in its development. I wish therefore to urge Government that as soon as the financial position permits, it should proceed with the programme for the development of Chinese primary education.

Not Extravagant

The programme has been carefully considered by the Board of Education and submitted to Government by the Director of Education with the full and unanimous support of its members. I venture to think that this programme is not an extravagant one and does not call for heavy expenditure which will be spread over a number of years.

I consider that, of all expenditures on social services, expenditure on Chinese primary education should deserve first consideration. If we were able to prevent, by providing proper education, a large number of young people from falling into the criminal class, it would relieve this Colony from other heavy burdens such as an increased Police force.

Emergency Stop

With regard to the recently established Immigration Department I wish to make the following observations. I believe that the imposition of restriction on free immigration was a new departure from the well-established policy of the Colony to keep this place open to the Chinese. I must say that this restriction of this kind is quite a common practice in other parts of the world but with the Colony's close relationship with China, such a step can only be considered as an emergency measure forced upon us by prevailing circumstances.

I realise that many of the social evils prevailing in the colony are closely connected with this difficult problem of excessive population and I have, therefore, no hesitation in agreeing that some sort of restriction on the growing population is, at the present time, desirable. I presume that it was on economic grounds that Government had been advised to introduce this measure.

When this measure of immigration control was brought before this Council for consideration last November, the Government assured that the Immigration Department is to be administered in the interest of passengers and all shipping generally and not to cause any obstruction or inconvenience that can be possibly avoided. In spite of this assurance there have been many complaints against the administration of this department.

Public And Shipping

From the general public these complaints have been mainly directed against the difficulty in obtaining the necessary forms, the unusual delay in issuing certificates and the insistence that photographs must be taken by "approved" firms. From the shipping concerns they have been connected with the undue delay in the examination of passengers' papers and the failure to post immigration officers on board ships to facilitate such examination.

The Chinese member on the Executive Council as well as my two Chinese colleagues on the Council and I, have found it necessary to address a joint communication to the Hon. Colonial Secretary in regard to some of these complaints and in our opinion there are urgent needs for reform in the method of conducting this department. I may add that the attitude of those in charge of this department towards the general public is not at all helpful.

Food Control

On the question of Food Control, I wish to urge Government to pay the closest attention to the recent rise in the cost of living in the Colony, particularly of rice and firewood. These are the two daily necessities of the Chinese Community. The rise in the prices of these two commodities is a serious matter for the poor, particularly the middle and lower classes, and I consider that Government should take vigorous measures to combat the evil. With regard to rice I know that measures have been taken and are being taken by Government to check the abnormal rise in the price of this commodity at the end of 1940. While I recognise that such measures have, to a certain extent, met with success, I feel that Government should now review the whole situation carefully with the object of securing an effective control in regard to quality as well as quantity. There has been a report that some of the stocks are of such a poor quality that they are not fit for human consumption.

Firewood Profiters

The position of firewood in the domestic life of the Chinese community is second in importance to that of rice. The situation has gone from bad to worse during the last few months. This might have been caused by seasonal demands such as the Chinese New Year but I have no doubt that it has been aggravated by the activities of unscrupulous profiteers. It has been proved that the cost of firewood imported into Hongkong including freight and all landing charges is far below the prevailing market price demanded by exorbitant dealers. I understand that Government are now taking measures to relieve the present situation and I believe that such measures will meet with success.

For I remember my seat I wish to say that it is not that we have found it necessary to cut down a good deal of Public Works Extraordinary not so much from a desire to balance the budget but in an effort to conserve, although in a very small way, much needed foreign exchange for the successful prosecution of the War.

PETROL RATIONING WARNING Resolutions Moved

Moving resolutions giving effect to the new duties on petrol, heavy oils, table waters and liquor, the Hon Financial Secretary, Mr H. R. Butters said, at the meeting of the Legislative Council this morning:

Sir—I rise to move the resolution standing in my name. The duties on light oils, that is on petrol, was increased, by His Excellency's order, to 80 cents per gallon on November 7, 1940. The object of the increase in petrol duty is, by reducing consumption, to conserve foreign exchange and save tankage. It is not intended as a revenue producing measure.

I am authorised by His Excellency to state that the information of Hon. Members and as a warning to the public that if this measure fails in its primary object, namely, to reduce consumption particularly in respect of private cars, the rationing of petrol may have to be introduced.

Duty On Oils

The increase in the duty on heavy oils to be used as fuel for heavy oil road vehicles on light oils, that is on petrol, was increased, by His Excellency's order, to 80 cents per gallon on November 7, 1940, and which were put into immediate effect by His Excellency's order.

Liquor

This further resolution gives effect to the increases in liquor duties which were announced in this Council on January 16, 1941, and which were put into immediate effect by His Excellency's order.

Table Waters

This further resolution gives effect to the imposition of a duty on table waters which was announced in this Council on January 16, 1941, and which was put into immediate effect by His Excellency's order.

MIDDLE EAST ACTIVITIES Raids By R.A.F.

CAIRO, Feb. 19 (Reuter).—Fierce activity by the R.A.F. and South African Air Force was the feature of today's operations which included attacks on aerodromes in the Dodecanese Islands were raided by R.A.F. bombers on the nights of February 16, 17 and 18.

Also during the last two days the R.A.F. maintained concentrated attacks on enemy positions in the Tepelini area in support of the ground forces.

Enemy troop concentrations in two villages to the north of Tepelini and military buildings were heavily bombed. Continued support has been given to the British troops on various fronts in Italian East Africa. Several raids were carried out on Keren.

New Zealanders' Generous Gifts

LONDON, Feb. 19 (British Wireless).—Mr Thomas Baker, a New Zealand resident in the Straits Settlements, is the first to purchase the right to name two Tornado fighters. The latest gift of £10,000 brings his total contribution to the Aircraft Fund to £30,000. Mr Baker, who is 34 years old and owns rubber plantations and tin mines in Malaya and sheep and cattle farms in Australia and New Zealand, was the founder in the last war of Australian and Malayan battle plane squadrons numbering 94 machines.

Community is second in importance to that of rice.

The situation has gone from bad to worse during the last few months. This might have been caused by seasonal demands such as the Chinese New Year but I have no doubt that it has been aggravated by the activities of unscrupulous profiteers. It has been proved that the cost of firewood imported into Hongkong including freight and all landing charges is far below the prevailing market price demanded by exorbitant dealers. I understand that Government are now taking measures to relieve the present situation and I believe that such measures will meet with success.

For I remember my seat I wish to say that it is not that we have found it necessary to cut down a good deal of Public Works Extraordinary not so much from a desire to balance the budget but in an effort to conserve, although in a very small way, much needed foreign exchange for the successful prosecution of the War.

I realise that the tendency to-day is for Government to play a more pronounced part in the social and economic life of the community and to shoulder increased responsibilities and additional duties. I hope that with the return of peace it will be possible for this Colony to go forward with such increased responsibilities and additional duties.

Colonial Secretary Moves Revised Budget Resolution

The Colonial Secretary, Hon. Mr N. L. Smith, presiding at the Legislative Council meeting this morning, moved a resolution giving authorisation to the revised estimates.

Hon. Mr Smith

The Hon. Colonial Secretary said: Gentlemen, I rise to propose the motion standing in my name.

On January 16, 1941, by a Resolution of this Council, the draft estimates of expenditure for 1941-42 were referred to a Select Committee consisting of myself, the Financial Secretary and all Unofficial Members of this Council. We now present our report in the form of the amended report bearing to-day's date.

As foreshadowed in the speech of the Hon. Financial Secretary on January 16, 1941, the provision for the construction of a new Lighthouse Tender has been excised. It has also been decided not to proceed during the coming financial year with the building of the proposed new block of offices and quarters at the Central Police Station, though a token vote of \$50,000 remains in the draft estimates to cover any expenditure that may have been incurred in the preparatory work of drawing up plans, etc.

Infectious Diseases Hospital

Similarly the Select Committee felt that the times are not sufficiently propitious and the plans not sufficiently matured to permit the building of the proposed new Infectious Diseases Hospital at the Kowloon Medical Centre. The Budget Committee realises that this hospital is recommended in the Technical Hospitalisation Committee's report, 1938-1939, as the first major item in a long-term programme but it feels that, apart from difficulties of providing the necessary building materials, this is not the time or place to embark immediately on this hospital. The sum of \$100,000 has however been provided which is larger than the usual "token vote," in case it may be possible in the coming year to make a start.

The provision of funds for the equipment of this hospital has been omitted as it is felt that, apart from the uncertainty which surrounds the hospital itself, there are at least hopes of considerable emergency stores being available during the coming financial year.

Charitable Services provision has been made for a grant of \$10,000 to the British Fund for the Relief of Distress in China and under Miscellaneous Services, in response to pressing representations from the University. Authorities, the annual grant to the University of Hongkong has been increased by the sum of \$100,000.

Nightsoil Removal

The Select Committee also brought under review the matter of the institution, at a cost of over four lakhs, of a system of nightsoil removal by labour directly employed by the Sanitary Department. As it is impossible, in present circumstances, to proceed with the complete scheme as recommended by the Health Authorities considerable doubt was expressed as to whether the benefits to be gained by the substitution of coolies employed by Government for the existing free-lance coolies would be commensurate with the expenditure involved. It was decided, however, that the provision for the emoluments of the 2,000 coolies should be allowed to stand in the draft estimates on the understanding that no actual expenditure will be incurred without the specific approval of the Finance Committee after further consideration of the whole matter.

There was insufficient time, when this item came for consideration, to

reach a final decision on this important question and the Finance Committee desires an early opportunity of a full discussion with the Health Authorities, upon which will depend the question of authorising actual expenditure.

Items Added

The following are the items which have been added:—
Head 5, Charitable Services.—
Sub-head 23, Grant to British Fund for the Relief of Distress in China \$10,000.
Head 17, Miscellaneous Services.—
Sub-head 24, University of Hongkong \$100,000 (Increased from \$355,000 to \$455,000)
\$110,000

Items Reduced

The following are the items which have been omitted or reduced:—
Head 11A, Harbour Department.—
Sub-head 1, Personal Emoluments. Crew for New Light-house Tender \$ 3,471
Sub-head 21, New Lighthouse Tender \$ 600,000
Head 16, Medical Department.—
Sub-head 68, Equipment for new Infectious Diseases Hospital \$ 103,590
Head 2, Public Works Extraordinary.—
Sub-head 5, Central Police Station—New Block (Reduced from \$800,000 to \$50,000) \$ 750,000
Sub-head 28, Infectious Diseases Hospital (Reduced from \$300,000 to \$100,000) \$ 400,000
\$1,857,061

Turning to the other side of the picture, the new or additional duties on table waters, hydrocarbon oils and liquor, which were imposed with effect from January 16 have necessitated a revision of the estimate of revenue from Duties will, it is now estimated, amount to \$15,500,000 instead of \$13,740,000.

The estimated deficit of \$7,553,776 shown in the draft estimates as presented on January 16 is thus reduced to \$3,856,715.

Lastly, I would remind Hon. Members that every item of Special Expenditure in all departments and every item of Public Works Extraordinary requires the independent sanction of Government apart from the general provision offered by the Appropriation Bill. Should revenue fall short of expectations or should expenditure at present unforeseen be incurred, that sanction will be withheld.

Thanks Expressed

Besides thanking, on behalf of the Government and, I may say, the whole Colony, the Unofficial Members for the time and labour which they gave to the preparation of the estimates in their revised form, I should like to express my particular gratitude to the Financial Secretary and to his assistant, Mr Todd.

I am very conscious of my own shortcomings in this respect but I feel sure that Hon. Members will appreciate that during the past few months it has been physically impossible to devote the time and attention that are normally expected of a Colonial Secretary in framing the financial policy for the coming year.

Hon. Mr Pearce & The Business Profits Tax

The Hon. Mr Pearce said.—Sir, the few remarks I have to make merely re-echo those of my colleagues.

When addressing this Council on last year's Budget, I strongly advocated postponement of a number of big projects until more normal conditions prevailed and the outlook was less obscure, and therefore wholeheartedly endorse the remarks of the Hon. Mr S. H. Dodwell and the Hon. Mr A. L. Shilds in their expressions of satisfaction that a number of such items have been shelved for the time being, and the expenditure involved deleted from this year's Budget. I am certain the Unofficial Member of this Council will give generous support to these postponed schemes, and any others which will be the benefit of the Colony when normality returns and the Colony can afford the expenditure.

With regard to the Special War Budget, whilst it has been extremely satisfactory to find the sum raised last year approximately \$9½ millions, against the original estimate of \$8 millions, I share the disappointment expressed by the Financial Secretary that the Business Profits Tax did not bring in to that total more than nine lakhs. I believe this source can bear more of the burden, and feel the percentage and limits for taxation can be amended.

Slackness In Government

I express the hope the Committee which is to review the whole question of Taxation will not otherwise change the present scale or disturb the organisation which has dealt with and collected the Tax up to date. I wish, Sir, to associate myself with the remarks made by my Colleagues in regard to the lack of administrative ability and slackness displayed by several Heads of important Government departments. I express the hope that independent Committees of enquiry will soon be instituted to make close scrutiny into the running of these departments, and that these enquiries will be the means of correcting the grievances we are complaining of, though I have doubts whether there can be permanent satisfaction, until the present system, in the Service, which seems to discourage initiative and ability, comes to an end.

CONVOY QUERY IN HOUSE Exaggerated

Reports

LONDON, Feb. 19 (Reuter).—Recent German claims to have inflicted heavy losses on a British convoy were dealt with in the House of Commons today arising from a member's invitation to make a statement on the reported loss of 13 vessels and whether those vessels were under protection.

The First Lord of the Admiralty, Mr A. V. Alexander, replied that it was not possible to answer such a question without assisting the enemy, and in the meantime the question should not assume that the reports broadcast by the enemy were correct.

No Protection

The Labour Member, Mr Emanuel Shinwell, asked whether it was not the case that a full report had appeared in the American press and that a statement had also appeared that this very important convoy had no protection whatever.

"Are these facts not well enough known to the enemy?" he asked. Mr Alexander replied: "Mr Shinwell is in error in assuming that the enemy's statement was correct. It is a statement I do not accept any more than I had accepted the report in the Atlantic where the enemy claims were grossly exaggerated."

H. K. Stock Market

The following quotations were issued on the Hongkong Stock Market this morning.

BANKS	
H.K. Banks	1,400 n.
H.K. Banks (2 x d.)	77 n.
H.K. Banks (H.K.) 2 x d.	77 n.
Chartered	73 1/2 n.
Mercantile, A. & B. E.	114 n.
Mercantile, C. E.	114 n.
East Asia	76 n.
INSURANCES	
Cantons	216 n.
Union	411 n.
China Underwriters	1 n.
H.K. Fire	170 n.
SHIPPING	
Douglas	135 n.
Steamboats	9 n.
Indo-China	100 n.
Indo-China D.	80 n.
Shell (Bentons)	40 1/2 n.
Waterboats	7 n.
DOCKS ETC.	
Wharves	98 n.
Docks (old)	1780 n.
Docks (new)	17 n.
Providents	5 1/2 n.
Shui Dockyards	28 n.
MINING	
Kallan	18 n.
Raubs	8 n.
H.K. Mines	1 1/4 n.
LANDS	
Hotel	300 n.
Lands	34 1/2 n.
Lands 4% Debentures	97 1/2 n.
Shui Lands Sh.	1170 n.
Humphreys	705 n.
H.K. Realities	3 1/2 n.
Chinese Estates	98 n.
UTILITIES	
Trams	17 1/2 n.
Peaks Trams (old)	7 1/2 n.
Peak Trams (new)	3 1/2 n.
Sin Fong	67 n.
Y. Ferris	620 n.
China Lights (old)	107 1/2 n.
H.K. Electric (old)	139 1/2 n.
H.K. Electric (new)	39 1/2 n.
Macao Electric (old)	17 1/2 n.
Macao Electric (new)	10 1/2 n.
Sandakan Lights	12 n.
Telephones (old)	24 1/2 n.
Telephones (new)	1020 n.
INDUSTRIAL	
Cold: Macg. (Ord.) Sh.	30 n.
Cold: Macg. (Pref.) Sh.	32 n.
Canton Ices	1 n.
Cemets	17 1/2 n.
H.K. Ropes	8 1/2 n.
STORES, &c.	
Dairy Farms	1920 n.
Watsons	1095 n.
Lanc Crawfords	7 1/2 n.
Sin Fong	25 n.
Wing On (H.K.)	30 n.
Powell Ltd.	180 n.
COTTON MILLS	
Eyo Sh.	40 1/2 n.
Shai Cotton Sh.	808 n.
MISCO.	
H.K. Govt 4%	97 n.
H.K. Govt 3 1/2% (1941)	84 1/2 n.
H.K. Govt 3 1/2% (1940)	84 1/2 n.
Ch. Govt 5% 1925 C.B.D.	42 1/2 n.
H.K. Entertainment	7 n.
Constructions (new)	100 n.
Vibro Piling	770 n.
Marsmans Inv. (Lon.)	0 1/2 n.
Marsmans Inv. (H.K.)	2 1/2 n.

U.S.S. Washington

WASHINGTON, Feb. 19 (Reuter).—The new United States 35,000-ton battleship, Washington, will be commissioned on May 16, six months ahead of schedule, the Navy Department announced.

The Washington's main armament consists of nine 16-inch guns.

KING'S

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ADDED Latest FOX MOVIE TONE NEWS

1. LONDON AFLAME. 2. BRITISH VICTORY AT SIDI BARANI. 3. S.S. MANHATTAN, which took American evacuees from Shanghai, aground in Florida. 4. GREEK SUCCESSSES. 5. FRANKLIN D. ROOSEVELT IS INAUGURATED FOR THE THIRD TERM. 6. THE NEW 35,000 TON BRITISH BATTLESHIP "THE DUKE OF YORK", CHRISTENED BY QUEEN ELIZABETH, Etc.

TO-MORROW "INVISIBLE STRIPES" Bros. Picture

ORIENTAL THEATRE

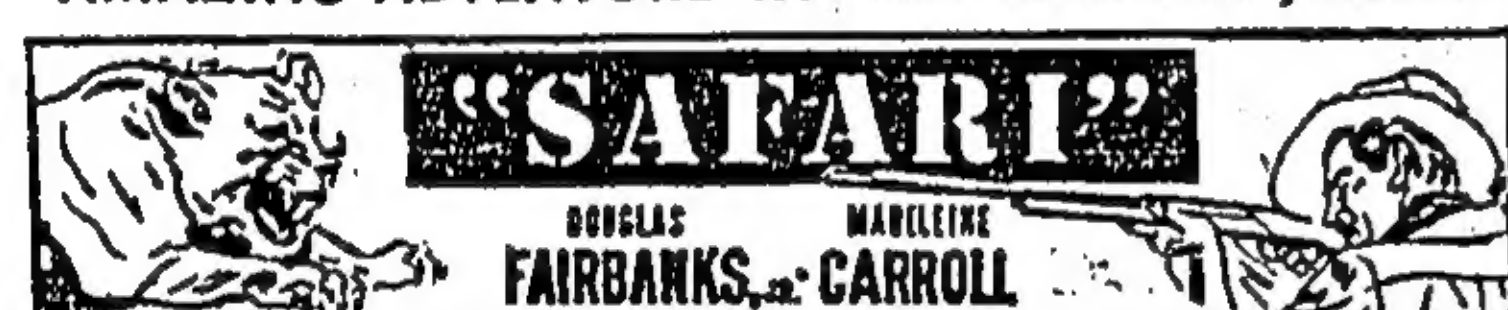
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NOMURA FACES PRESS

FROM PAGE ONE

tailed numerous materials from the Philippines and sold products to the Philippines.

He was then asked whether Japan would consider the Philippines within her sphere of economic expansion after 1946 but he declined to answer.

The Ambassador answered most questions affably and semi-humorously. He emphasized that Congressional disposition of Guam and Samoa was the concern of the United States but he showed interest in the action of the House in approving Guam to-day and said that Japan considered her southward expansion as purely an economic matter.

Malaya's Welcome To Australian Troops

FROM PAGE ONE

mand in Malaya, made a radio broadcast during which he said, "We are here on serious business. The Australians consider Singapore an outpost of Australia and we therefore feel that we are helping to defend Australia. Our men are efficient and are trained as storm troops and I feel it safe to say they will fight like their fathers fought at Gallipoli, France and Palestine and as their brothers recently fought in Libya. To the people of Malaya I say: "Your war is our war and should any enemy come to Malaya, Australians will be there."

STOCK MARKET REPORT

Hongkong Stock Exchange Official Summary issued yesterday, says: The market continues dull and the volume of business transacted was again of small dimensions.

Buyers

H.K. Govt 3 1/2% Loan (1940) 94.25
Bank of East Asia \$70
Providents \$5.75
Lands 4% Debentures \$97.50
Lights "O" \$8

Sellers

H.K. Steamboats \$9
Hotels \$3.60
Trams \$17.50
Lights "O" \$20.20
Electricity "O" \$30.75

Sales

H.K. Govt 3 1/2% Loan (1934) 93
Union Ins. \$411
Trams \$17.50
Telephones "O" \$24.50

Harbour Expert In Hongkong

Announcement by the Colonial Secretary notices that Sir David J. Owen, late General Manager of the Port of London, having been invited by the Government to investigate the whole question of harbour facilities, organisation and administration at Hongkong, having regard to the existing system of pier leases, which are due to expire in ten years time, is now in the Colony.

Any person wishing to place his views on the above matters before Sir David Owen is invited to do so by letter as early as possible, addressed c/o Peninsula Hotel, Kowloon.

LATE NEWS



PARLIAMENT BOMBED — Radio picture from London shows damage to 600-year-old St. Stephen's Cloisters, part of Parliament Houses, hit by Nazi bomb.

Dutch Leader Nazi Prisoner

London, Feb. 19.
The ex-Prime Minister of Holland, Jonkheer de Geer, has been lured by the Nazis into returning from London to occupied Holland by reports that his wife was ill, according to information reaching the Netherlands Government in London.

It is stated that, having thus lured Jonkheer de Geer, who is 70 years old, into returning to Holland, the Nazis have taken him to Stuttgart and imprisoned him there because he refused to divulge any information concerning Britain.

The Netherlands Government, which formerly accused Jonkheer de Geer of a breach of loyalty in returning to occupied Holland, is now investigating this report.—Reuter.

Australians In Malaya

NEW DELHI, Feb. 19 (Reuter).—The news of the arrival of Australian troops in Singapore is greeted with general satisfaction and it is recalled that large numbers of Indian troops have been drafted to Malaya and the vigorous training they had undergone since has given them a thorough knowledge of the country.

Married By Special Licence

Mr Harold Julius Alexander Rohrbach, who is well-known throughout the Far East as representative of Horlicks Ltd., was married at the Registry yesterday by Special Licence to Mrs Jean Ross Finch (widow) of Shanghai.

The bridegroom is the son of Mr Harold Julius Rohrbach, merchant, and the bride is the daughter of the late Mr Robert Edwin Herminings.

Mr T. S. Whyte-Smith, Registrar, officiated, and Messrs. R. M. Blake and A. S. Hill acted as witnesses.

Mrs Mary Hedley Passes On

The death occurred yesterday of Mrs Mary Hedley, at her residence, 3A Armend Buildings, Kowloon, at the age of 53 years. She had a large circle of friends, with whom she was a popular figure.

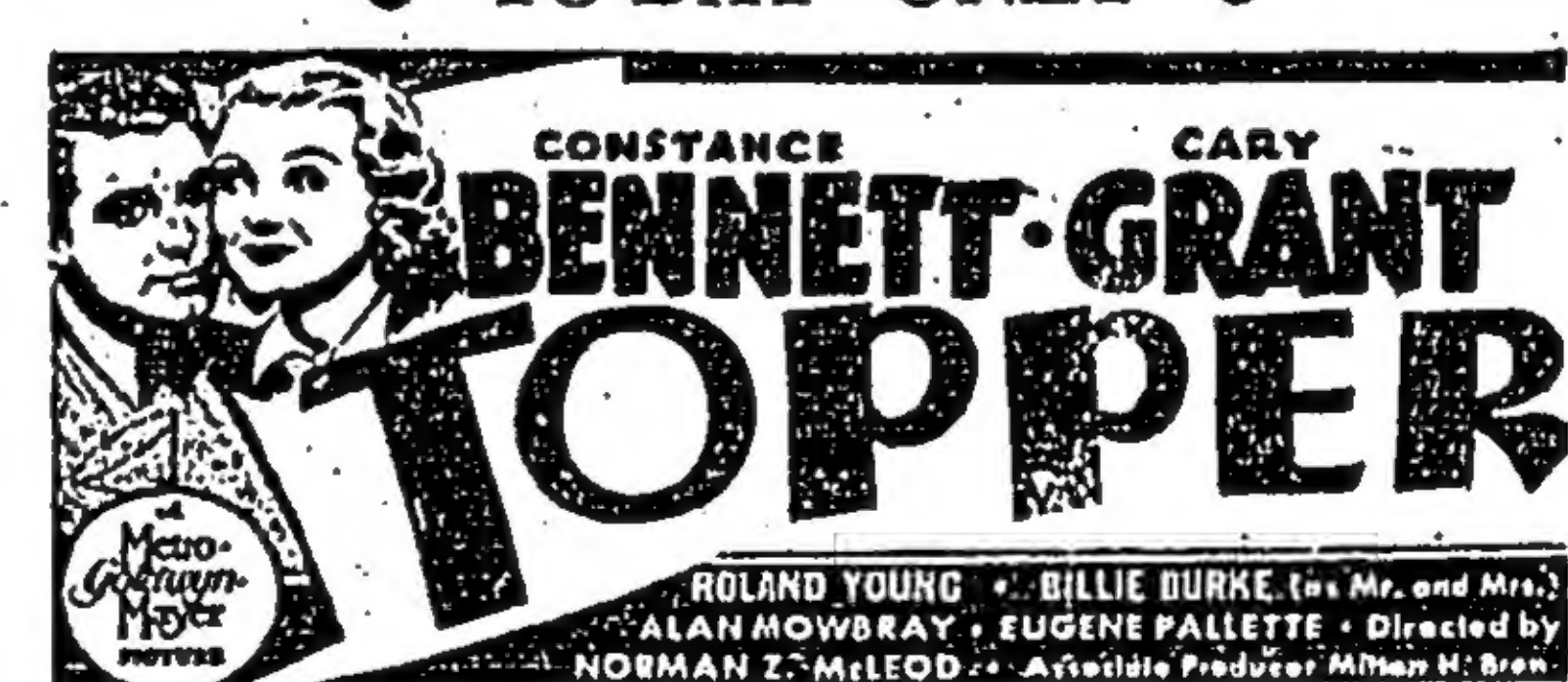
Mrs Hedley is survived by her husband, Mr W. P. Hedley, who recently retired from the Kowloon Docks after 32 years' service, and a son, Mr G. P. Hedley, well-known football player, who is now in Shanghai.

The funeral will take place to-day at the Roman Catholic Cemetery, passing the Monument at 5 p.m.

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